

## **Report Narrative**

# DISTRICT OF COLUMBIA RETIREMENT BOARD FISCAL YEAR 2001 ANNUAL REPORT

## I. INTRODUCTION

The District of Columbia Retirement Board (the "Board") was established as an independent agency of the District of Columbia government by the U.S. Congress on November 17, 1979, through enactment of the District of Columbia Retirement Reform Act (the "Reform Act")<sup>1</sup>. This measure provided the Board with exclusive authority and discretion to manage and control the District of Columbia Police Officers and Fire Fighters' Retirement Fund, and the Teachers' Retirement Fund (collectively the "Funds"). The Reform Act also sets forth the Board's structure, specific authority and legal responsibilities. As explained in more detail below, the Board's former responsibility for managing the Judges' Retirement Fund has since been assumed by the Federal government pursuant to title XI of the Balanced Budget Act of 1997.<sup>2</sup>

To facilitate effective monitoring of the retirement system, the Reform Act and the Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Plan Act of 1998 ("Replacement Plan Act")<sup>3</sup> require the Board to publish an annual report for each fiscal year.<sup>4</sup> This report provides detailed disclosure of the financial and actuarial status of the retirement Funds. The report is transmitted to the Congress, the Mayor, and the Council of the District of Columbia by April 28 of each year. The report is also made available for examination by participants and beneficiaries of the Funds at the principal office of the Board located at 1400 L Street, NW, Suite 300, Washington, D.C. 20005.

### Legislative History

Prior to enactment of the Reform Act in 1979, eligibility and benefit rules, and financing arrangements for the pension plans for the District's Police Officers, Fire Fighters, Teachers and Judges were authorized by various acts of Congress and administered by the Federal government. Financing was "pay-as-you-go", meaning benefits were paid from general revenues when workers retired instead of being pre-funded throughout the careers of participating workers. This pay-as-you-go method of financing is actuarially unsound, and results in what is called an "unfunded actuarial accrued liability" ("unfunded liability").

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<sup>1</sup>Public Law 96-122, 93 Stat 866, codified at D.C. Code §1-701 et seq (1981 Ed.).

<sup>2</sup>Title XI of the Balanced Budget Act of 1997 (Public Law 105-33, 111 Stat. 251), entitled the "National Capital Revitalization and Self-Government Improvement Act of 1997", amended the Reform Act to require the Federal government to assume full responsibility for continuation of the retirement program for Judges in the District of Columbia and thus relieved the District of all liability associated with the Judges' Retirement Fund.

<sup>3</sup>The Replacement Plan Act is codified at D.C. Code § 1-901.01 et seq (2001 Ed.) Sept. 18, 1998, D.C. Law 12-252, § 101.45 DCR 4045.

<sup>4</sup>The Board's fiscal year commences on October 1 and ends on September 30.

## **Unfunded Liability**

An unfunded liability results when assets set aside under an employer's pension plan are accumulating at an insufficient rate to provide a pool of funds out of which the promised pensions can be paid when they become due. Consequently, when the Reform Act was enacted and required the District government ("District") to assume responsibility for these pension plans in 1979, the unfunded pension liabilities that had accumulated (approximately \$2.6 billion) were also transferred to the District, and continued to grow through 1997.

## **"National Capital Revitalization and Self-Government Improvement Act of 1997"**

In response to a financial crisis confronting the District of Columbia, the Clinton Administration proposed a plan in 1997, to provide Federal financial relief to the District in various forms. One critical area of relief came in the form of a proposal for the Federal government to assume financial responsibility for most of the unfunded liability that it created and transferred to the District almost twenty years earlier. The unfunded liability had grown from \$2.6 billion in 1979 to approximately \$4.9 billion in 1997. With an increasing annual payment of over \$300 million, the District's contribution to the retirement Funds was one of the largest single ongoing financial obligations, resulting in a progressively significant strain on the District's limited financial resources. At the conclusion of many months of hearings and debate in the Congress over the Administration's revitalization plan, Congress enacted title XI of the Balanced Budget Act of 1997 (Public Law 105-33, 111 Stat. 251), entitled the "National Capital Revitalization and Self-Government Improvement Act of 1997" (the "Revitalization Act").

The Revitalization Act amended the Reform Act, significantly reducing the District's liability and its administrative responsibility to certain eligible participants and beneficiaries of the Police Officers and Fire Fighters' Retirement Fund and the Teachers' Retirement Fund ("covered District employees"). The Revitalization Act saved the District \$250 million or more per year in total retirement Fund contributions.

As a result of the Revitalization Act, the District's required contribution for the two Funds (Police Officers and Fire Fighters, and Teachers) in fiscal year 1999 was reduced from an amount estimated in excess of \$300 million to \$57.3 million. As earlier mentioned, the Revitalization Act created a separate Judicial Retirement Fund for Judges of the District of Columbia courts, requiring the Federal government to take full responsibility (all assets and obligations) for continuation (including administration) of that retirement program.

The Revitalization Act also required the District government to enact a replacement retirement plan for covered District employees whose plans were in effect frozen as of June 30, 1997. In response, the Council of the District of Columbia adopted the Replacement Plan Act.

Finally, the Revitalization Act required the Board to transfer accumulated assets from the retirement Funds with a value of approximately \$3.4 billion to the U.S. Department of the Treasury ("Treasury"), acting on behalf of the Federal government. After many months of negotiations between the Board, the District, and Treasury, the asset transfer was accomplished on May 1, 1999.

## **Board Structure**

The Board is currently comprised of twelve trustees.<sup>5</sup> The composition of the Board is an expression of Congressional intent to balance the various interests represented by the District's Executive and Legislative branches as well as the Funds' participant groups. Accordingly, three trustees are appointed by the Mayor, three are appointed by the Council of the District of Columbia, and the remaining six are elected by the participant groups (one each from the active and retired Police Officers, Fire Fighters, and Teachers).

Two trustees appointed by the Mayor and one of the Council appointees are further required by the Reform Act to possess professional work experience in the banking, insurance, or investment industry.

In addition to the statutory framework provided by the Reform Act for the Board's fiscal and operational responsibilities, the District of Columbia Municipal Regulations ("DCMR") contain an extensive set of rules and regulations promulgated by the Board (Title 7, Chapter 15) that address various structural and operating characteristics of the Board ("Board Rules"). For example, the Board Rules describe the various executive officers of the Board and their responsibilities, staff positions and functions, standing committees and their respective jurisdiction, and rules for the Board's open meetings.

The Board's operating budget is appropriated out of the investment earnings of the retirement Funds managed by the Board.

## **Operations of the Board and Staff**

By adhering to its asset allocation plan; periodically rebalancing portfolios when necessary; controlling transaction costs; selecting investment managers with an audited long-term track record and a disciplined investment process; and aggressively negotiating and renegotiating investment management fees, the Board has long managed the Funds in a sound, prudent and well-documented manner.

Since inception, the Board has operated pursuant to a committee system. This structure provides a two-tiered process for fiduciary review and analysis. The Board currently has six standing committees: (1) Benefits; (2) Fiduciary; (3) Investment; (4) Legislative; (5) Operations; and (6) Minority Participation.

Board policies and directives are implemented by an in-house staff of thirteen (13) authorized staff positions. The Board's staff currently maintains responsibility for in-house accounting, procurement, human resources, budgeting, information technology, investment program development and oversight, and legal review and counsel. These capabilities are further enhanced by the retention of outside consultants all of whom are directed by, and work closely with, senior staff.

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<sup>5</sup>The Revitalization Act removed the Judicial representative from the Board after the successful transfer of the entire D.C. Judges' Retirement program to the Federal government in 1999.



## **Board Responsibilities**

The Board's primary responsibilities include, without limitation, the following:

- Managing the Funds on an actuarially sound basis;
- Exercising discretionary authority as fiduciaries to the Funds, solely in the interest of the participants and beneficiaries. All duties are discharged with the care, skill, prudence and diligence as would a prudent expert acting in a like capacity.
- Monitoring pension payments from the District government<sup>6</sup> to the Funds, as determined in accordance with the Replacement Plan Act, and structuring the Fund assets in a manner designed to diversify the investments of the Funds so as to maximize returns while minimizing the risk of large losses;
- Maintaining, in an appropriate depository, a cash reserve in an amount determined by the Board to be sufficient to meet current outlays for annuitants and other authorized retirement and disability benefits paid from the Funds;
- Engaging the services of (a) competent investment counsel(s), registered under the Investment Advisors Act of 1940; (b) an enrolled actuary to conduct actuarial valuations, and determining the District payment due for the forthcoming fiscal year; and (c) an independent certified public accountant to conduct an examination of the financial statements, books and records of the Funds, in accordance with generally accepted accounting principles, in order to prepare an annual audited financial report for each of the retirement Funds; and
- Providing information to the participants and beneficiaries of the Funds that informs them of their rights and obligations under their respective retirement plans in the form of a "summary plan description" with appropriate amendments and updates to reflect substantive changes.

## **II. HIGHLIGHTS OF THE BOARD'S ACTIVITIES**

In conjunction with its primary responsibility to manage the assets of the Funds, the Board was engaged in many other activities in fiscal year 2001, which are briefly highlighted below:

- Negotiated an agreement with various District government agencies and boards to establish interim guidelines to implement the retirement options prescribed by the School Reform Act for employees of public charter schools in the District of Columbia.

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<sup>6</sup>Federal contributions to the Funds were discontinued after fiscal year 1997 pursuant to title XI of the Balanced Budget Act of 1997 (the "Revitalization Act").

- Began work with the U.S. Department of the Treasury to revise retirement plan description summaries of the retirement programs for District police officers, fire fighters and teachers.
- Participated in the U.S. Treasury Benefits Administration Workgroup meetings to develop better coordination of information among the agencies responsible for benefits administration and investments for the District's retirement plans for police officers, fire fighters and teachers.
- Appeared before the Council of the District of Columbia, Committee on Government Operations to testify on the Board's FY 2002 budget request and to discuss the Board's administrative operations, investment program and investment performance.
- Revised investment guidelines to relax the lower limits on minimum capital commitments to private equity partnerships.
- Conducted an election for a retired teacher in the District's public school system to serve a four-year term on the Board.
- Conducted Trustee educational training sessions designed to: (1) facilitate Trustee compliance with fiduciary responsibilities; and (2) develop Trustee understanding of modern investment practices.
- Conducted monthly Board and Investment Committee meetings.

## **Administrative Operations**

With respect to internal operations, the Board conducted regularly scheduled, well attended meetings of the Board and its various committees and encouraged all trustees to participate in investment management workshops and educational training programs designed to facilitate compliance with the high standard of care associated with their fiduciary responsibilities.

## **III. LONG TERM INVESTMENT PROGRAM**

### **Capital Market Overview**

In the wake of the catastrophic events on September 11, 2001, no shortage of ink has been devoted to the story of the stock market woes. Many a pundit has been quick to point out the short-term losses following past national crises like President Kennedy's assassination and the Gulf War, and even quicker to reaffirm the market's resilience over the long-term.

However, even before September 11, the near-term economic picture was not hopeful. Stock prices were in the doldrum, the market was ailing and investors were uneasy. The events that followed September 11<sup>th</sup> simply hastened the decline and spurred an emotional sell-off. The market's four-day shutdown after the terrorist attacks was the longest suspension of trading since the Great Depression, and its widely anticipated reopening brought the steepest one-week tumble for the Dow Jones Industrial Average since the Depression. By the time the fiscal year ended, both the Dow Jones Industrial Average and the S&P 500 index had made their worst showings since the crash of 1987. In an attempt to fuel an economic rebound, the Federal Open Market Committee, led by Chairman Alan Greenspan, cut the federal funds rate in the fastest string of reductions since the Federal Reserve was founded in 1913. At 2.5%, the federal funds rate is now at its lowest level since 1962, but the market has not been quick to respond. Additionally, a weak labor market has seen jobless claims surge to their highest level in nearly a decade. There were no initial public offerings ("IPOs") in September 2001. This was the first IPO-free month since 1975.

For the volatile fiscal year ended September 30, 2001, the Total Fund fell -11.7%. During the fiscal year, most of the primary capital markets in which the Retirement Board invested achieved negative investment returns. Negative returns are disheartening, but the Total Fund fared much better than the broader markets, as measured by the S&P 500 index, which dropped -26.6%.

## Investment Objective

The Retirement Board seeks to achieve a nominal rate of return which exceeds the 7.25% actuarial return assumption at a level of risk commensurate with the levels of returns and consistent with sound and responsible investment practices. As a long-term investor, the Retirement Board emphasizes long-term results over short-term gains.

### Long-Term Performance at a Glance

<b>5 Years Ended</b>	<b>Average Annualized Return</b>	<b>Actuarial Return</b>	<b>Value Added in Basis Points</b>
9/2000	14.20%	7.25%	695
12/2000	13.00%	7.25%	575
3/2001	11.00%	7.25%	375
6/2001	10.90%	7.25%	365
9/2001	8.90%	7.25%	165

## Investment Performance

The investment program (or Total Fund) achieved a total return for the fiscal year ended September 30, 2001 of -11.7%. This return far exceeded the Total Fund Benchmark return of -15.8% by 410 basis points. The Total Fund Benchmark is a portfolio comprised of the asset classes which make up the strategic asset allocation adopted by the Retirement Board in December 1998 and set forth in the table below.

<b>Strategic Asset Allocation</b>	
<b>Asset Class</b>	<b>Target Allocation</b>
Domestic Equities	43.7%
International Equities	20.0%
Fixed Income	30.3%
Private Equity	5.0%
Short-Term	1.0%

The return of the Total Fund Benchmark is a weighted average of the passive benchmark returns of each of the asset classes. The assumption is that this return will exceed the actuarial investment rate of return over the long term; thus assuring achievement of the Retirement Board's investment objective. Performance is calculated using the time-weighted rates of return in compliance with AIMR (Association for Investment Management and Research) standards. Total return includes interest and dividends as well as capital appreciation.

The Total Fund consistently ranks above the 50th percentile with below median risk in the Retirement Board's independent investment consultant universe of clients. Over the three years ended September 30, 2001, the Total Fund has added value over the Total Fund Benchmark, returning 6.1% versus 4.7%, respectively.

The primary driver of Total Fund outperformance for the fiscal year was asset allocation. An overweight to U.S. fixed income helped the portfolio withstand some of the turmoil in the equity markets. Additionally, active management was beneficial because both domestic equity and fixed income managers added significant value.

The Retirement Board's investment performance exceeded that of its benchmarks for all asset classes except real estate and private equity. Real estate and private equity returns are reported with a one-quarter lag to the rest of the investment portfolio. Total return for the real estate composite is unrepresentative of the performance of the asset class because it does not reflect a diversified core real estate composite, but instead the performance of a single real estate asset that was subsequently sold in October 2001.

## **Domestic (U.S.) Equities**

For the trailing year, the Retirement Board's domestic equity composite surpassed the Russell 3000 index by 490 basis points, returning -23.0% versus the Russell 3000 return of -27.9%. For the three year period ended September 30, 2001, the domestic equity composite earned 4.8% leading the Russell 3000 index by 230 basis points. The domestic equity risk structure was in line with its target of 70% passive (or index) and 30% active strategies. But, asset allocation moved further away from strategic targets as domestic equities were underweight (38.9% versus 43.7%) due to weak absolute results.

## **International (Non-U.S.) Equities**

For the trailing year, the Retirement Board's international equity composite beat the performance of the MSCI EAFE index, declining -27.2% compared with the -28.3% return for the MSCI EAFE index. For the trailing three year period ended September 30, 2001, the international equity composite led the MSCI EAFE benchmark by 440 basis points, returning 3.5% versus -0.9%. Outperformance for the fiscal year was attributed to strong stock selection from the two international equity managers. Asset allocation moved further away from strategic targets as international equities were underweight (15.5% versus 20.0%) due to deterioration in the foreign markets.

## **Fixed Income**

For the one year period ended September 30, 2001, the fixed income composite outperformed the Lehman Aggregate index returning 14.0% versus the benchmark return of 13.0%. The composite benefited from a longer duration relative to the index, as interest rates fell across the yield curve. Over the trailing three years, the fixed income composite has beat the Lehman Aggregate index by 30 basis points, returning 6.7% versus 6.4% for the index. As of September 30, 2001, fixed income assets comprised 37.6% of the Total Fund.

## **Private Equity**

As of September 30, 2001, the private equity composite had generated a pooled internal rate of return ("IRR") of 10.5% since inception. This compares with an IRR of 13.1% as of September 30, 2000. The volatility in performance is driven largely by the public securities held by Behrman Capital II, L.P. and Blackstone Capital Partners III, L.P. Since inception, more than \$183 million had been committed to investments as of September 30, 2001. Partnerships in the portfolio had drawn down over \$167.5 million from inception and capital called totaled \$12.6 million during fiscal year ended September 30, 2001. Private equity was slightly behind target allocation, with 4.5% of Total Fund assets invested in private equity compared with the target allocation of 5.0%.

## **Investment Activity**

Fiscal year 2001 was a busy year at the Retirement Board. In addition to routinely reviewing the investment performance of the Total Fund, the various composites, each investment manager and the asset allocation policy, the Retirement Board addressed asset misallocations by rebalancing on a quarterly basis whenever the portfolio drifted outside the policy benchmark target ranges.

Additional initiatives undertaken by the Retirement Board included: adoption of a strategic investment plan to pursue investment opportunities under a reactivated private equity program by targeting an annual commitment amount; amendment of investment policy guidelines to permit investments in public real estate investment trust (REITs) or other similar equity pooled investments without regard to specific jurisdictional limitations provided such investments do not constitute plan assets; and started a small/mid cap growth equity manager search and completed a search for a Master Custodian.

As of September 30, 2001, the fair value of the Retirement Board's assets was \$1.879 billion, a decline of close to 9% from fiscal year 2000 close of \$2.045 billion. While the unrealized depreciation in asset valuation was significant, in comparison to other public pension funds the Retirement Board fared much better. From a survey conducted by an independent service organization, it was reported that assets of the largest 200 pension funds located in the U.S. plummeted 14% for the one year period ended September 30, 2001. Additionally, assets of the largest domestic 1,000 pension plans slid by more than 12%.

The most important decision the Retirement Board is faced with is its strategic asset allocation, that is, which asset classes to invest in and how much to invest in each asset class. During fiscal year 2002, the Retirement Board will embark upon a new asset liability study to determine the most appropriate asset mix. The Retirement Board will carefully evaluate the risk/reward tradeoff of various asset mixes, the ability of the Retirement Board to meet long term pension obligations and the impact of different economic conditions on both assets and liabilities.

## **Performance Growth and Asset Balances**

In Exhibit A, fiscal year 2001 performance of the Retirement Board's equity, fixed income managers and real estate and private equity composite returns are presented by the Retirement Board's independent investment consultant, BARRA RogersCasey. Total asset balances for the two Retirement Funds as of the end of the fiscal year 2001 are included in Exhibit B. Exhibit C depicts the dollar growth of the Total Fund relative to the actuarial investment assumption rate of 7.00% through September 1997 and 7.25% thereafter.

## **Relative Riskiness**

The Risk/Reward profile of the Total Fund for the five-year period ended September 30, 2001 can be found in Exhibit D. Total Fund risk (or standard deviation) is minimized through the allocation of assets among noncorrelated asset classes and further by style diversification. Periodic rebalancing back to the edge of the target range and closely monitoring investment manager performance will mitigate active risk. Historical and forward-looking expected returns standard deviations and correlations for each major asset class are critical elements in the development of an asset allocation strategy. Variability of actual asset class returns will occur from year to year.

## **Comparison of Performance**

Section 162(b)(2)(C) of the Reform Act requires the Retirement Board to submit a schedule of the assets held in each of the retirement Funds. Section 125 of the Reform Act permits the Retirement Board to commingle the assets of the two retirement Funds for investment purposes. A composite listing of all of the assets held by the Retirement Board as of September 30, 2001 is included under Exhibit E.

Exhibit F compares the Retirement Board's Total Fund performance to the return of the Total Fund Benchmark. For the trailing one year period ended September 30, 2001, the Total Fund added approximately 410 basis points to active return, returning -11.7% versus the benchmark return of -15.8%.

## **IV. DETERMINATION OF ANNUAL PAYMENTS TO THE RETIREMENT FUNDS**

The Replacement Plan Act (D.C. Law 12-152) effective September 18, 1998 established the method and formula to calculate the employer contribution by the District to the D.C. Teachers' Retirement Fund and to the D.C. Police Officers and Fire Fighters' Retirement Fund. The District contribution formula consists of the "normal contribution" and the "adjustment payment" amounts. The enrolled actuary calculates the "normal contribution" amount as the "normal contribution rate" multiplied by the estimated annual covered payroll of the affected employee group. This amount, if paid annually into the Funds from the date of actuarial determination to the date of the active employees separation, would be sufficient (together with employee contributions and investment earnings) to pay for all future retirement benefits, including survivor benefits. The "adjustment payment" amount is the "normal contribution rate" for the second prior fiscal year multiplied by the difference between the estimated annual covered payroll and the actual annual covered payroll for the second prior fiscal year. The first "adjustment payment" amount was calculated for the fiscal year 2001 payment.

## V. ACTUARIAL VALUATIONS

The Replacement Plan Act requires the Board's actuary to undertake a full actuarial valuation of the retirement Funds every two years unless the actuary "determines that a more frequent valuation is necessary to support the actuary's opinion" (D.C. Code Section 1-907.03(a)(2)). The Board's actuary, Milliman USA (formerly Milliman and Robertson, Inc.), decided to conduct a full valuation as of October 1, 1999 for fiscal year 2001. The results of the actuarial valuation are presented in the Report of the Enrolled Actuary together with the actuarial certification of the District contribution dated December 20, 1999 (Exhibit H). The actuarially certified amounts determined as described in Section IV above for fiscal year 2001 consists of \$0.2 million to the Teachers' Retirement Fund and \$47.4 million to the Police Officers and Fire Fighters' Retirement Fund. These amounts were certified by the Board to the Mayor on December 29, 1999 (Exhibit I).

## VI. FISCAL YEAR 2001 DISTRICT PAYMENTS

Section 132 of the Police Officers, Fire Fighters and Teachers Retirement Benefit Replacement Act of 1998 (D.C. Law 12-152) stipulates:

"(a) Each fiscal year, the District shall ensure that a sufficient amount is appropriated for each separate fund comprising the Funds, as the District of Columbia payment to the Appropriate separate fund comprising the Funds, which shall be equal to, or greater than, the amount calculated as provided for in section 133, as determined by the enrolled actuary..."

The District of Columbia Retirement Reform Act at Section 142(c)(1)(B) (D.C. Code Section 1-722(c)(1)(B)) and D.C. Act 12-155 at Section 123(b) requires the D.C. Retirement Board to certify to the Mayor and the Council, not less than thirty days before the Mayor submits the budget for the District of Columbia government to the D.C. Council, the amount of the District's payment to the D.C. Teachers' Retirement Fund and the D.C. Police Officers and Fire Fighters' Retirement Fund. The Board approved the enrolled actuary's certification on December 16, 1999.

The following were the amounts certified by the Board as the District's fiscal year 2001 payments to each of the Funds, in millions.

Retirement Fund	Normal Contribution	Shortfall (Overpayment)	Total
Teachers	\$ 6.6	(6.4)	0.2
Police & Fire	\$ 47.0	0.4	47.4
Total Contribution			\$47.6



Pursuant to Section 142(c)(2) of the Reform Act and Section 123(b) of the Replacement Act, the Mayor and the Council are required to include in the District's budget "[n]ot less than the full amount certified by the Board." The Mayor and the Council included in the fiscal year 2001 budget and the Congress appropriated in Public Law 106-522 enacted on November 22, 2000, \$0.2 million for a contribution to the Teachers' Retirement Fund and \$49.0 million for a contribution to the Police Officers and Fire Fighters' Retirement Fund.

On October 6, 2000 the District paid the \$47.6 million certified by the Board. On February 15, 2001 the District contributed \$1.6 million to the Police Officers and Fire Fighters' Retirement Fund for the increase in the District contribution resulting from enactment of D.C. Law 13-172, the Police and Fire Fighters Survival Annuity Adjustment Amendment Act of 2000, effective October 19, 2000.

## **VII. ADMINISTRATIVE EXPENSES OF THE BOARD**

The District of Columbia Appropriations Act of 2001 (Public Law 106-522) authorized 14 full-time equivalent positions and \$11.414 million to pay for legal, management, investment, and other fees and administrative expenses of the D.C. Retirement Board. Since those amounts were to be paid from the investment earnings of the Teachers' and the Police Officers and Fire Fighters' Retirement Funds, the Board exercised strict expenditure controls and spent only \$6.748 million of the authorized amount. Of this amount, 76% was expended for asset managers and investment consultants. An itemization of these expenses is presented in Exhibit J.

## **VIII. RETIREMENT BENEFIT PROGRAM ADMINISTRATION**

Currently, much of the responsibility for administering the retirement benefit programs for the teachers, police officers, and fire fighters remains with several agencies of the District of Columbia government. The Retirement Board has exclusive responsibility for the investment of the assets of the two retirement funds.

The eligibility of police officers and fire fighters to receive retirement benefits, for instance, is determined by an adjudicating board in the D.C. Office of Personnel. This Police and Firemen's Retirement and Relief Board is responsible for establishing eligibility for regular and disability pensions, including the determination of an applicant's degree of impairment and the percentage of disability. Similarly, the Board of Education makes eligibility determinations with respect to teachers' benefits.

Once eligibility has been established by the applicable adjudicating authority, the Office of Pay and Retirement Services of the Office of the Chief Financial Officer of the District calculates the retirement benefit amount, adds the annuitant to the retirement rolls, and thereafter makes monthly payments regularly until the beneficiary becomes ineligible or dies.

Monthly, the Deputy Chief Financial Officer for Financial Operations and Systems certifies the amount necessary to meet the retirement annuity payroll for the month. The Office of Finance and Treasury of the Office of the Chief Financial Officer of the District draws and mails the retirement benefit checks.

All pension and survivor benefits that are the responsibility solely of the Federal government are reimbursed by the Federal government on a monthly basis.

All pension and survivor benefits that are a split responsibility of the Federal and District governments are being reimbursed by the Federal government on a monthly basis.

A Memorandum of Understanding between the Federal and District governments provides that the Board reimburses the District Benefit Payment portion on an annual basis. After the Federal government issues final rules to calculate the Federal Benefit Payment amount, the Board will reimburse on a monthly basis the District Benefit Payment share of those benefit payments.

The District government is responsible for the total cost of benefit increases enacted after June 30, 1997. All such pension and survivor benefits are reimbursed by the Board on a monthly basis.

Periodically, the Board reimburses or is reimbursed by the Office of the Chief Financial Officer for the amount of refunds of contributions, purchase of prior service credit, and other cash transactions. The Board has recorded an estimated amount of that reimbursement, which amount is included in the audited financial statements presented in Exhibit G.

## **IX. ADDITIONAL INFORMATION REQUIREMENTS**

### **Changes in Investment Mangers**

The Board did not change investment managers during fiscal year 2001.

### **Current Lease For Office Space**

- Location of Leased Premises:  
1400 L Street, NW, Suite 300  
Washington, D.C. 20005
- Description of Leased Premises:  
Office space consists of 6,374 square feet
- Name of Lessor:  
M-C Capitol Associates L.L.C.

- Effective Date of Lease:  
September 1, 2000
- Term of Lease:  
60 months
- Minimum Rent:  
The annual rental per square foot for fiscal year 2001 was \$31.50

### **Other Disclosures**

The retirement programs coverage is disclosed in Exhibit K, the List of Fiduciaries and Service Providers and Schedule of Transaction with Persons Known To Be Parties-in-Interest is presented in Exhibit L, The Schedule of Trustees Activities Sponsored by Service Providers is presented in Exhibit M, the Summary of Lease Default is presented in Exhibit N, and the Custodian Bank's Balance Sheet is presented in Exhibit O.

## **Exhibit A**

### **Investment Managers Performance**

**The District of Columbia Retirement Board**  
**Manager Performance**

**Performance (%)**

	Quarter to 09/01	1 Year to 09/01	2 Years to 09/01	3 Years to 09/01	5 Years to 09/01	7 Years to 09/01	10 Years to 09/01	2000	1999	1998	1997	1996
SP/FF Index Fund	-14.8	-27.0	-9.4	N/A	N/A	N/A	N/A	-9.2	N/A	N/A	N/A	N/A
Alliance Capital	-14.7	-26.3	-8.7	2.3	10.4	14.4	13.0	-8.7	21.9	28.6	33.1	23.3
S&P 500	-14.7	-26.6	-8.8	2.0	10.2	14.2	12.7	-9.1	21.0	28.6	33.4	23.0
Warburg Pincus	-18.3	-38.2	3.0	N/A	N/A	N/A	N/A	-3.2	N/A	N/A	N/A	N/A
Russell 2500 Growth	-27.1	-42.9	-9.0	5.0	2.0	7.6	8.1	-16.1	55.5	3.1	14.8	15.1
Edgar Lomax	-11.6	2.1	-0.7	5.3	9.5	14.8	N/A	8.9	6.1	13.3	24.7	22.2
Edgar Lomax Hybrid*	-16.2	-16.9	-2.8	4.7	9.8	13.5	12.2	6.1	12.7	14.7	30.0	20.8
Ariel Capital Management	-9.3	11.4	N/A	N/A	N/A	N/A	N/A	18.5	N/A	N/A	N/A	N/A
Russell 2500 Value	-12.5	2.5	8.9	8.8	10.7	12.7	14.9	20.8	1.5	-1.9	33.1	22.2
Bank of Ireland	-13.7	-25.7	-8.5	3.4	4.6	7.2	N/A	-6.9	33.5	16.2	6.4	23.4
MSCI EAFE	-14.0	-28.3	-13.9	-0.9	0.2	2.2	4.2	-14.0	27.3	20.3	2.1	6.3
Capital Guardian Trust Company	-17.1	-31.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
MSCI EAFE	-14.0	-28.3	-13.9	-0.9	0.2	2.2	4.2	-14.0	27.3	20.3	2.1	6.3
Western Asset Mgt.	4.6	14.0	10.6	6.6	8.6	9.2	N/A	12.9	-1.7	9.0	10.5	3.8
LB Aggregate Index	4.6	13.0	9.9	6.4	8.1	8.4	7.8	11.6	-0.8	8.7	9.7	3.6
Hughes Capital	5.2	14.6	N/A	N/A	N/A	N/A	N/A	11.2	N/A	N/A	N/A	N/A
LB Gov/Credit	4.8	13.2	9.9	5.9	8.0	8.4	7.8	11.8	-2.2	9.5	9.8	2.9
PIMCO	6.7	13.9	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
LB Aggregate Index	4.6	13.0	9.9	6.4	8.1	8.4	7.8	11.6	-0.8	8.7	9.7	3.6
Real Estate Composite	0.2	-2.4	3.0	3.7	5.2	5.5	1.7	8.6	5.2	5.6	8.8	4.2
NCREIF Substitute	0.2	8.2	9.9	10.7	12.2	11.1	7.2	12.2	11.4	16.2	13.9	10.3
Alt. Investment Composite	-0.8	-16.7	-0.8	3.9	13.4	9.7	9.7	16.4	22.7	10.5	20.8	12.1
CA Pvt. Eq. Index Substitute	-0.8	-10.9	5.5	11.7	16.4	18.4	17.6	2.0	34.2	15.8	31.3	25.9
State Street Short Term	1.0	5.4	5.9	5.8	6.2	8.2	7.9	6.5	5.8	6.1	7.4	6.2
90 Day Treasury Bills	1.1	5.5	5.6	5.3	5.4	5.4	4.9	6.2	4.9	5.4	5.3	5.3

## **Exhibit B**

**Funds Assets as of September 30, 2001**

**D.C. RETIREMENT BOARD**  
**NET ASSET VALUATION**  
**FOR THE MONTH ENDING SEPTEMBER 30, 2001**

PLAN NAME	PERMANENT PLAN	TEMPORARY PLAN	TOTAL PLANS
TEACHERS	\$756,453,743.11	\$25,039,868.30	\$781,493,611.41
POLICE & FIREFIGHTERS	\$1,067,312,650.98	\$29,752,510.33	\$1,097,065,161.31
JUDGES	\$0.00	\$0.00	\$0.00
NEW TEACHERS	\$0.00	\$0.00	\$0.00
NEW POLICE & FIREFIGHTER	\$0.00	\$0.00	\$0.00
<b>TOTAL PLANS</b>	<b>\$1,823,766,394.09</b>	<b>\$54,792,378.63</b>	<b>\$1,878,558,772.72</b>

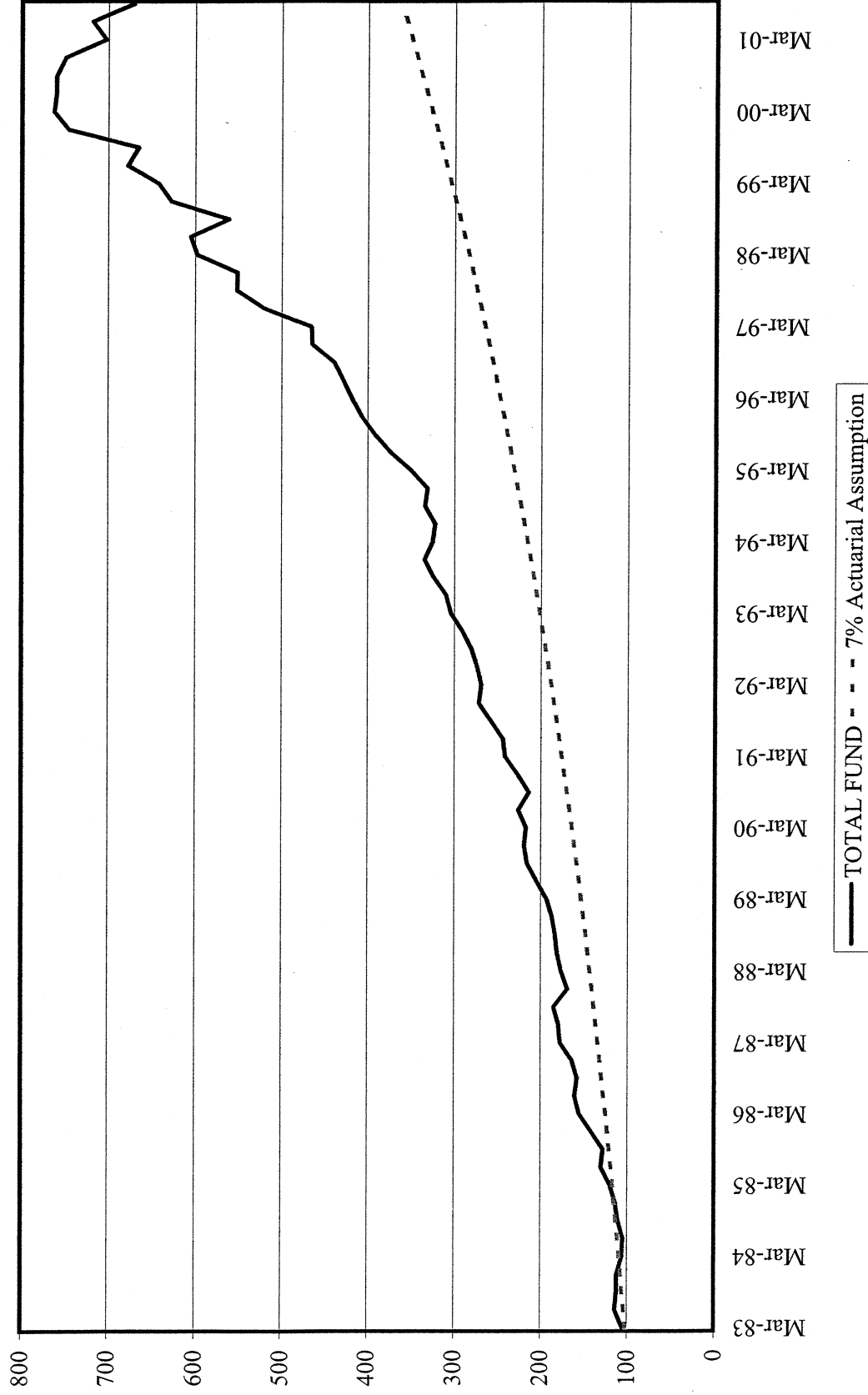
*Kimberly B. Burdette* 10/11/01

## **Exhibit C**

### **Fund Objective Chart**



**FUND OBJECTIVE**  
**Total Fund Performance Vs. Actuarial Return**  
**(Growth of \$100.00 invested from March 1, 1983 to September 30, 2001)**



The time weighted return for the Total Fund for the period 3/83 to 12/01 was 10.88% versus an Actuarial Assumption rate of 7% through the end of 9/97 and 7.25% thereafter.

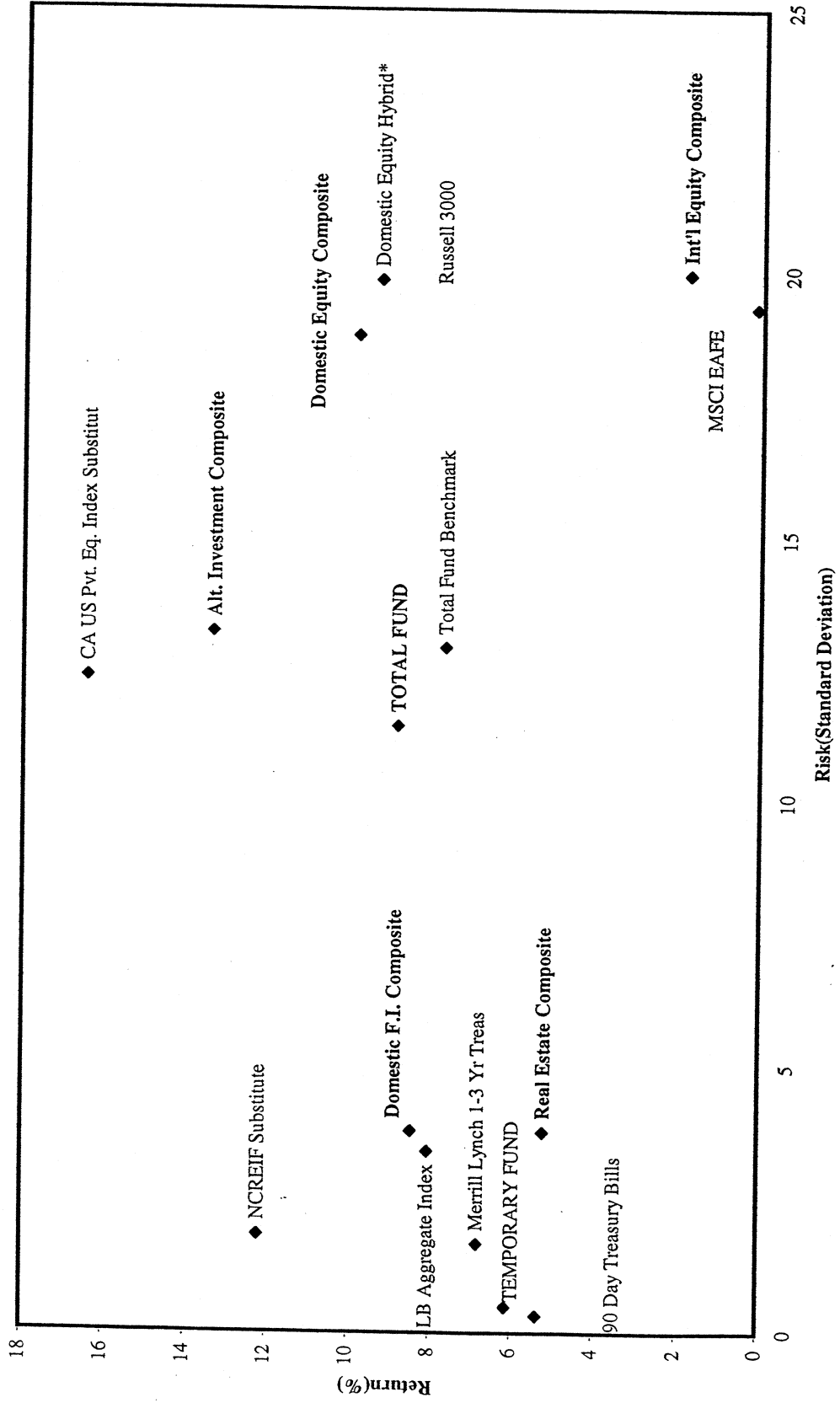
*Barra RogersCasey*

## **Exhibit D**

**Risk/Reward Structure For Five Year Period  
Ending September 30, 2001**

DC Retirement Board  
Risk/Reward Structure

5 Years Ending September 30, 2001



\*See Appendix

## **Exhibit F**

### **Total Fund Performance vs Total Fund Benchmark**

**The District of Columbia Retirement Board**  
**Total Fund Performance**

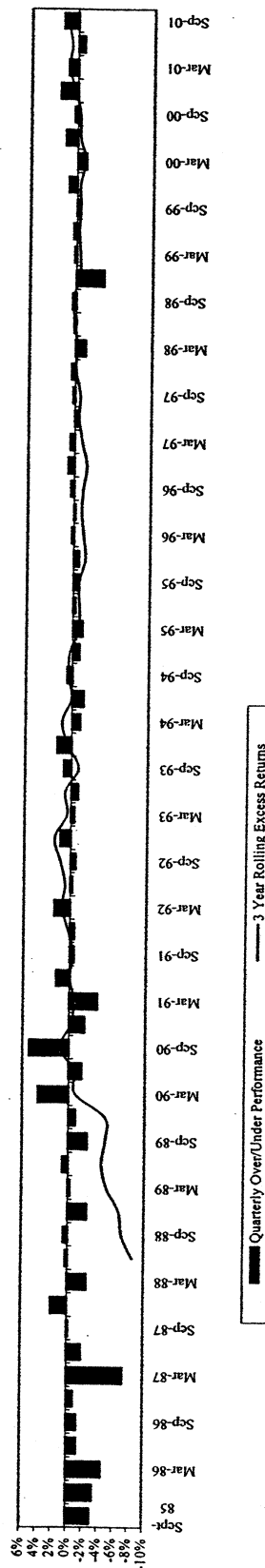
**Performance (%)**

Quarter to 09/01	1 Year to 09/01	2 Years to 09/01	3 Years to 09/01	5 Years to 09/01	7 Years to 09/01	10 Years to 09/01	1997	1998	1999	2000	2001
Total Fund	-6.6	-11.7	0.4	8.9	10.5	10.0	18.8	13.9	18.8	0.5	17.5
Total Fund Benchmark*	-8.5	-15.8	-2.8	7.7	10.1	9.6	16.7	18.1	16.7	-2.5	17.5

**Review:**

The Total Fund Composite beat its benchmark by 190 basis points for the third quarter ending September 30, 2001. The primary driver of Total Fund outperformance was asset allocation, when an overweight to US Fixed Income helped the portfolio withstand some of the turmoil in the equity markets. Additionally, active management was beneficial where both the domestic equity and fixed income managers added significant value. For the trailing one year period ending September 30, 2001, the total fund added approximately 400 basis points to active return.

**Total Fund vs. Total Fund Benchmark\***  
**(Relative Performance Since July 1985)**



## **Exhibit G**

### **Auditor's Opinions and Financial Statements**

**DISTRICT OF COLUMBIA  
TEACHERS' RETIREMENT FUND**

Financial Statements and Schedules

September 30, 2001 and 2000

(With Independent Auditors' Report Thereon)

**DISTRICT OF COLUMBIA  
TEACHERS' RETIREMENT FUND**

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2001 M Street, N.W.  
Washington, D.C. 20036

## Independent Auditors' Report

Board of Trustees  
District of Columbia Teachers' Retirement Fund

We have audited the accompanying statements of net assets of the District of Columbia Teachers' Retirement Fund (the Fund), a Pension Trust Fund of the Government of the District of Columbia, as of September 30, 2001 and 2000, and the related statements of changes in net assets for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1, these financial statements only present the financial activity of the Fund and are not intended to present the financial position and results of operations of the District taken as a whole.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the District of Columbia Teachers' Retirement Fund as of September 30, 2001 and 2000, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The information on schedules 1 and 2 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied to schedules 1 and 2 certain limited procedures prescribed by professional standards, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information on schedules 3 through 5 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion thereon.

**KPMG LLP**

December 28, 2001



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is  
a member of KPMG International, a Swiss association.

**DISTRICT OF COLUMBIA  
TEACHERS' RETIREMENT FUND**

Statements of Net Assets  
September 30, 2001 and 2000  
(Dollars in thousands)

<b>Assets</b>	<b>2001</b>	<b>2000</b>
Equity in pooled investments under Master Trust Agreement, at fair value (note 4)	\$ 825,606	912,709
Accrued interest receivable	3,581	3,875
Benefit contributions receivable	1,349	1,300
Due from District of Columbia Government	—	1,018
Total assets	<u>830,536</u>	<u>918,902</u>
 <b>Liabilities</b>		
Liabilities under securities lending agreements	48,036	54,164
Accounts Payable – investment expense	571	673
Due to Federal Government	2,600	1,600
Due to District of Columbia Government	575	—
Total liabilities	<u>51,782</u>	<u>56,437</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 778,754</u>	<u>862,465</u>

See accompanying notes to financial statements.

**DISTRICT OF COLUMBIA  
TEACHERS' RETIREMENT FUND**

Statements of Changes in Net Assets  
Years ended September 30, 2001 and 2000  
(Dollars in thousands)

	<u>2001</u>	<u>2000</u>
Additions:		
Contributions:		
District government	\$ 200	10,700
District employees	24,047	23,646
Total contributions	<u>24,247</u>	<u>34,346</u>
Investment income:		
Net appreciation (depreciation) in fair value of investments	(129,875)	78,536
Interest and dividends	31,112	28,896
	<u>(98,763)</u>	<u>107,432</u>
Less:		
Investment expenses	1,908	1,720
Interest expense on securities lending transactions	3,865	4,186
Net investment income (loss)	<u>(104,536)</u>	<u>101,526</u>
Total additions	<u>(80,289)</u>	<u>135,872</u>
Deductions:		
Benefit payments	2,600	1,600
Administrative expenses	822	775
Total deductions	<u>3,422</u>	<u>2,375</u>
Net (decrease) increase in net assets	<u>(83,711)</u>	<u>133,497</u>
Net assets held in trust for pension benefits:		
Beginning of year	862,465	728,968
End of year	\$ <u><u>778,754</u></u>	<u><u>862,465</u></u>

**DISTRICT OF COLUMBIA  
TEACHERS' RETIREMENT FUND**

Notes to Financial Statements

September 30, 2001 and 2000

(Dollars in thousands)

**(1) Organization**

The District of Columbia Teachers' Retirement Fund (the Fund) was established in 1979 by the District of Columbia Retirement Reform Act (the Reform Act, Pub. L. 96-122, D. C. Code § 1-701 et seq.). The Fund provides assets to pay pension benefits to all teachers employed by the Board of Education, including certain other educational employees in the public day schools and certain eligible educational employees in the public charter schools of the District of Columbia. The Reform Act also established the District of Columbia Retirement Board (the Board) and the District of Columbia Police Officers and Fire Fighters' Retirement Fund (the Police and Fire Fund).

The National Capital Revitalization and Self-Government Improvement Act of 1997 (the Revitalization Act, Title XI of the Balanced Budget Act of 1997, Pub. L. 105-33) transferred the District of Columbia Judges' Retirement Fund to the United States Federal Government (the Federal Government). The Revitalization Act also transferred significant assets and liabilities of the Fund and the Police Officers and Fire Fighters' Retirement Fund (collectively, the District Retirement Funds) to the Federal Government.

Concurrently, the District of Columbia Retirement Protection Act of 1997 (the Retirement Protection Act, Subtitle A of the Revitalization Act) transferred to the Federal Government the liability for retirement benefits for employee service credit earned prior to July 1, 1997, by participants of the District Retirement Funds. The assets transferred to the Federal Government and the assets of the District Retirement Funds managed by the Retirement Board are components of the same single employer defined benefit pension plans.

As required by the Retirement Protection Act, the Council of the District of Columbia (the Council) enacted the Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Plan Act of 1998 (September 18, 1998, D.C. Law 12-152, § 101, 45 DCR 4045; D.C. Code § 1-901.01 et seq.). This Act (the Replacement Act) established the pension benefits for employee service provided after June 30, 1997, and provides for full funding of the benefits on an actuarially sound basis.

The Board is an independent agency of the District of Columbia Government (the District) that is responsible for managing the assets of the District Retirement Funds. Although the assets of the funds are commingled for investment purposes, each Fund's assets may only be used for the payment of benefits to the members of that Fund and certain administrative expenses.

The Fund is included in the District's Comprehensive Annual Financial Report as a pension trust fund.

**DISTRICT OF COLUMBIA  
TEACHERS' RETIREMENT FUND**

Notes to Financial Statements

September 30, 2001 and 2000

(Dollars in thousands)

**(2) Fund Administration and Description**

**(a) *District of Columbia Retirement Board***

The Board consists of 12 trustees, three appointed by the Mayor of the District, three appointed by the Council of the District, and six elected by the active and retired participants. Included are one active and one retired representative each from the police officers, firefighters, and teachers. The six employee representatives are elected by their respective groups of active and retired employees.

Since its inception, the Board has operated under a committee system which provides a two-tiered process for fiduciary review and analysis. In this manner, the Board, consistent with its fiduciary duties, thoroughly and comprehensively reviews all issues brought before it. The Board has six standing committees, including Benefits, Fiduciary, Investment, Legislative, Operations, and Minority Participation. To implement its policies, the Board retains the executive director and other staff to be responsible for the day-to-day management of the District Retirement Funds.

**(b) *Other Administration***

The District Board of Education makes findings of fact, conclusions of law, and decisions regarding involuntary retirement, survivor benefits and annual medical and income reviews. The Office of Pay and Retirement Services (OPRS) within the D.C. Office of Financial Operations and Systems, Office of the Chief Financial Officer, receives retirement orders for retirement benefit calculations for all active plan members found eligible for retirement and carries out the day-to-day processing of retirement benefits. OPRS also processes employee requests for refunds of contributions.

**DISTRICT OF COLUMBIA  
TEACHERS' RETIREMENT FUND**

Notes to Financial Statements

September 30, 2001 and 2000

(Dollars in thousands)

**(c) Eligibility**

Permanent, temporary and probationary teachers and certain other employees of the District of Columbia public day schools become members automatically on their date of employment. Substitute teachers and employees of the Department of School Attendance and Work Permits are not covered.

Title 38, Chapter 20 of the D.C. Official Code (D.C. Code § 38-2001.01 et seq. (2001 Ed.)) establishes benefit provisions which may be amended by the Council. For employees hired before November 16, 1996, the annuity is equal to the average salary, as defined, multiplied by 1.5% for each of the first five years of service, 1.75% for each of the second five years and 2% for each additional year. For employees hired on or after November 16, 1996, the annuity is equal to the average salary, as defined, multiplied by 2% for each year of service. The annuity may be further increased by crediting unused sick leave as of the date of retirement. Participants receive an annual benefit increase proportional to changes in the Consumer Price Index; however, the increase may not exceed 3% for participants hired on or after November 16, 1996.

Participants may select from among several survivor options. Participants who have 5 years of school service (work for the District of Columbia public school system), and who become disabled and can no longer perform their jobs satisfactorily, may be eligible for disability retirement. Disability benefits are calculated under a guaranteed minimum formula.

Optional retirement is available for teachers who have a minimum of 5 years of school service and who achieve the following age and length of service requirements:

- at age 62 with 5 years of service;
- at age 60 with 20 years of service; and
- at age 55 with 30 years of service;
- or at any age with 30 years of service, if hired by the school system on or after November 16, 1996.

Employees who are involuntarily separated other than for cause and who have five years of school service, may be eligible for retirement at any age with 25 years of service or at age 50 with 20 years of service. The annuity is reduced if at the time of its commencement the participant is under the age of 55.

**DISTRICT OF COLUMBIA  
TEACHERS' RETIREMENT FUND**

Notes to Financial Statements

September 30, 2001 and 2000

(Dollars in thousands)

**(d) Participant Data**

For the years ended September 30, 2001 and 2000 the number of participating employees was as follows:

	<u>2001</u>	<u>2000</u>
Retirees and beneficiaries receiving benefits (includes retirees being paid by the Federal Government)	5,098	4,976
Terminated plan members entitled to but not yet receiving	25	25
Active vested plan members	4,663	4,943
Active nonvested plan members	<u>1,383</u>	<u>1,198</u>
Total	<u><u>11,169</u></u>	<u><u>11,142</u></u>

**(e) Contributions**

Fund members contribute by salary deductions at rates established by D.C. Code. Members contribute 7% (or 8% for teachers hired on or after November 16, 1996) of annual pay minus any pay received for summer school. Fund members may also contribute up to 10% of annual pay toward an annuity in addition to any vested pension.

The District is required to contribute the remaining amounts necessary to finance the coverage of its employees through annual contributions at actuarially determined amounts in accordance with the provisions of the Replacement Act. The District contributions for fiscal years 2001 and 2000 were equal to the Fund's independent actuary's recommendation.

Contribution requirements of the Fund members are established at D.C. Code § 38-2001.01 et seq. (2001 Ed.) and contribution requirements of the government of the District of Columbia are established at D.C. Code 1-907.02 (2001 Ed.). Contribution requirements may be amended by the Council. Administrative costs are financed through investment earnings.

**(3) Summary of Significant Accounting Policies**

**(a) Basis of Accounting**

The financial statements are prepared using the accrual basis of accounting. Employee contributions are recognized as compensation is earned by fund members. Employer contributions to the Fund are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Fund.

**DISTRICT OF COLUMBIA  
TEACHERS' RETIREMENT FUND**

Notes to Financial Statements

September 30, 2001 and 2000

(Dollars in thousands)

**(b) *Method Used to Value Investments***

Investments are reported at fair value, and reflect transaction costs, such as brokerage commissions and other costs normally incurred in a sale, if such costs are determinable. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rate. Collateralized mortgage obligations are stated at fair value. The fair value of real estate investments is based on independent appraisals, when available, and the fair value of limited partnership interests in real estate investments is based on reported estimated fair values. Investments that do not have established market values are reported at estimated fair value.

**(c) *Actuarial Data***

The Fund uses the Aggregate Actuarial Cost method to determine the annual contribution. The excess of the actuarial present value of projected benefits of the group included in an actuarial valuation over the sum of the actuarial value of assets and the actuarial present value of employee contributions is allocated on a level basis over the earnings or service of the group between the valuation date and assumed exit date. This allocation is performed for the group as a whole, not as a sum of individual allocations. That portion of the actuarial present value allocated to a valuation year is called the normal cost. The actuarial accrued liability is equal to the actuarial value of assets.

**(d) *Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Board to make estimates and assumptions that affect the reported amounts of assets, liabilities, additions and deductions to net assets held in trust for pension benefits and disclosure of contingent assets and liabilities at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

**(e) *Investment Expenses***

The District of Columbia Appropriation Act authorized Fund earnings to be used for investment expenses incurred in managing the assets and administering the Fund. The total investment expenses borne by the Fund was \$1,908 and \$1,720 in 2001 and 2000, respectively.

**(4) *Investments***

The Board is authorized to manage and control the investment of the District Retirement Funds' assets. The Board broadly diversifies the investments of the District Retirement Funds so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so, as required by D.C. Code § 1-741(a)(2)(C). The District Retirement Funds are authorized to be invested in a variety of investments including fixed income, equity securities and other types of investments. As prescribed in D.C. Code § 1-907.01 (2001 Ed.), the Board shall not invest in debt instruments of the District, the Commonwealth of Virginia or State of Maryland governments, political subdivisions thereof, or any entity subject to control by them; debt instruments fully guaranteed by those governments; real property in those jurisdictions; or debt instruments secured by real property in those jurisdictions.



**DISTRICT OF COLUMBIA  
TEACHERS' RETIREMENT FUND**

Notes to Financial Statements

September 30, 2001 and 2000

(Dollars in thousands)

**(a) Master Trust**

The Board has pooled all of the assets under its management (the Investment Pool), as is authorized by D.C. Code § 1-903.03(b), (2001 Ed.), with a master custodian under a master trust arrangement (the Master Trust). Using an investment pool, each Fund has equity in the pool. District and employee contributions are deposited to the respective Retirement Fund for which the contribution was made, and benefit payments and employee contribution refunds are withdrawn from the Fund in which the recipient participates. Investment performance and administrative expenditures are allocated between the two Funds based upon their proportionate equity in the pool. The fair values of investments of the Investment Pool as of September 30, 2001 and 2000 are as follows:

	<u>2001</u>	<u>2000</u>
<b>Investments categorized (A)</b>		
Investments – held by Board’s agent in Board’s name:		
Cash and cash equivalents	\$ 472,435	309,719
Equities (of which \$0 and \$839 in 2001 and 2000, respectively, is on securities loan with securities and other collateral)	1,063,641	1,277,699
Fixed income securities (of which \$9,381 and \$1,347 in 2001 and 2000, respectively, is on securities loan with securities and other collateral)	645,862	682,162
Payable on investment transactions	(422,100)	(356,256)
Subtotal	<u>1,759,838</u>	<u>1,913,324</u>
<b>Investments not categorized (B)</b>		
Real estate	<u>4,877</u>	<u>5,295</u>
Investment held by broker-dealer under securities loans with cash collateral:		
Equities	38,235	46,148
Fixed income security	74,785	78,874
Securities lending collective investment pool	<u>115,813</u>	<u>129,091</u>
Subtotal	<u>228,833</u>	<u>254,113</u>
Total	<u>\$ 1,993,548</u>	<u>2,172,732</u>

(A) All categorized investment are Category 1 risk.

(B) These investment are not categorized because they are not evidenced by securities that exist in physical or book entry form.

**DISTRICT OF COLUMBIA  
TEACHERS' RETIREMENT FUND**

Notes to Financial Statements

September 30, 2001 and 2000

(Dollars in thousands)

Investments are categorized by level of custodial credit risk (the risk that a counterparty to an investment transaction will not fulfill its obligations). Category 1, the lowest risk, includes investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the entity's name. Category 3, the highest risk, includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the entity's name.

At September 30, 2001, the Fund's share of the Investment Pool was \$829,187, including cash collateral of \$48,036 and accrued interest receivable. At September 30, 2000, the Fund's share of the Investment Pool was \$916,584, including cash collateral of \$54,162 and accrued interest receivable.

**(b) *Securities Lending Transactions***

District statutes and the Board's policies permit the District Retirement Funds to participate in securities lending transactions via a Securities Lending Authorization Agreement, which authorizes the master custodian to lend the Board's securities to qualified broker-dealers and banks pursuant to a form of loan agreement.

During 2001 and 2000, the master custodian, at the direction of the Board, lent the District Retirement Funds' equity and fixed income securities and received collateral in the form of cash (United States and foreign currency), securities issued or guaranteed by the United States government, the sovereign debt of Organization of Economic Cooperation and Development countries and irrevocable letters of credit issued by a bank insured by the FDIC. The collateral could not be pledged or sold unless the borrower defaulted on the loan. Borrowers delivered collateral for each loan equal to (i) at least 102% of the market value of the loaned securities if these securities were sovereign debt issued by a foreign government denominated in U.S. dollars or their primary trading market was located in the United States; or (ii) 105% of the market value of the loaned securities in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States.

The Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool (the Quality Fund). Because the Quality Fund does not meet the requirements of rule 2a-7 of the Investment Company Act of 1940, the master custodian has valued the Fund's investments at fair value for reporting purposes.

The Quality Fund is not registered with the Securities and Exchange Commission. The master custodian, and consequently the investment vehicles it sponsors (including the Quality Fund), are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the Fund's position in the Quality Fund is not the same as the value of the Retirement Funds' shares.

**DISTRICT OF COLUMBIA  
TEACHERS' RETIREMENT FUND**

Notes to Financial Statements

September 30, 2001 and 2000

(Dollars in thousands)

There was no involuntary participation in an external investment pool by the Quality Fund and there was no income from one fund that was assigned to another fund by the master custodian during 2001 or 2000.

The average duration of the investment pool as of September 30, 2001 and 2000 was 74 days, and the average weighted maturity was 193 and 161 days, respectively. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral.

During 2001 and 2000, the Board did not restrict the amount of the loans that the master custodian made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon and there were no losses resulting from a default of the borrowers or the master custodian during 2001 and 2000.

On September 30, 2001 and 2000, the Board had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for the Board were \$125,382 and \$122,402, respectively, as of September 30, 2001, and \$131,387 and \$127,207, respectively as of September 30, 2000. During 2001 and 2000, the Master Trust's gross earnings from securities lending transactions totaled \$9,433 and \$10,137, respectively. The income (net of amortization and accretion), the net realized/unrealized gain attributable to discount and premium, and the net increase in net assets resulting from operations totaled \$7,807, \$1,500, and \$9,306, respectively, in 2001, and \$8,326, \$1,573, and \$9,899, respectively, in 2000. The Fund's share of the net earnings on securities lending transactions totaled \$315 and \$214 in 2001 and 2000, respectively.

**(c) *Derivative Investments***

Derivatives are generally defined as contracts whose value depends on, or *derives* from, the value of an underlying asset, reference rate, or index. Structured financial instruments are also defined as derivatives, such as mortgage-backed securities, asset-backed securities, and floating rate notes. Derivative investments generally contain exposure to credit risk, market risk, and/or legal risk. Credit risk is the exposure to the default of another party to the transaction (counterparty), or to the creditworthiness of derivative securities, such as mortgage-backed, asset-backed, floating rate, and stripped securities. Market risk is the exposure to changes in the market, such as a change in interest rates, currency exchange rates, or a change in the price or principal value of a security. The Board believes that all contracts entered into are legally permissible in accordance with the policy of the Board.

During 2001 and 2000, the Retirement Funds, in accordance with the policy of the Board, invested in various derivative instruments either to increase potential earnings or to hedge against potential losses. These derivatives included asset-backed securities (ABS), collateralized mortgage-backed securities (CMOs), mortgage-backed pools and securities, floating rate notes, structured notes, stripped/zero coupon bonds, inflation index bonds, forward mortgage-backed security contracts (TBAs), foreign currency forward and futures contracts, equity index futures, bond futures, bond options, currency options, and warrants.

**DISTRICT OF COLUMBIA  
TEACHERS' RETIREMENT FUND**

Notes to Financial Statements

September 30, 2001 and 2000

(Dollars in thousands)

The Retirement Funds used ABS, CMOs, mortgage-backed pools and securities, floating rate notes, structured notes, stripped/zero coupon bonds, and TBAs primarily to increase potential returns. ABS and mortgage-backed pools and securities offer higher potential yields than comparable duration U. S. Treasury Notes with higher credit and market risks. CMOs also offer higher potential yields than comparable duration U.S. Treasury Notes, with higher market risks, although the market risks may be higher or lower than comparable mortgage-backed pools. Market risk for asset-backed and mortgage-backed pools and securities is managed by monitoring the duration of the investments. Credit risk is managed by monitoring credit ratings, the underlying collateral for each security and any related guarantee.

Floating rate notes (securities which pay an interest rate tied to an index) are subject to market risk to the extent of the movement of the underlying index in relation to market rates. A downward movement in the underlying index would negatively impact the interest income received on the security. Upward movements in interest rates do not adversely affect floating rate notes as they do fixed rate notes, allowing floating rate notes to function as a hedge against upward changes in interest rates.

The Retirement Funds invests in structured notes with step-up coupons that offer higher yields than comparable U.S. Treasury Notes in exchange for higher market and/or credit risks. Securities with step-up coupons pay interest according to a pre-set series of interest rates which start at one rate and then step-up to higher rates on specific dates. The Retirement Funds also contains stripped/zero coupon bonds, which are purchased at a discount and do not pay any interest.

TBAs are used by the Retirement Funds as an alternative to holding mortgage-backed securities outright to raise the potential yield and to reduce transaction costs. The TBAs used are assumed to be similar in duration and convexity to mortgage-backed securities with identical credit, coupon and maturity features. Credit risk is managed by limiting these transactions to primary dealers.

Market risk for this type of security is not significantly different from the market risk for mortgage-backed securities.

Foreign currency forward and futures contracts and foreign currency options are used by the Retirement Funds for defensive purposes. These contracts hedge a portion of the Retirement Funds' exposure to particular currencies on occasion when significant adverse short-term movement in exchange rate levels are expected. Foreign currency forward and futures contracts can pose market risk when the maximum potential loss on a particular contract is greater than the value of the underlying investment. Market risks arise due to movements in the foreign exchange rates underlying the contracts used by the Retirement Funds. Credit risk is managed by limiting transactions to counterparties with short-term credit ratings of A1 or P1 or by trading on organized exchanges. Market risk for currency options is limited to the purchase cost. Credit risk is managed by limiting transactions to counterparties with investment grade ratings or by trading on organized exchanges.

**DISTRICT OF COLUMBIA  
TEACHERS' RETIREMENT FUND**

Notes to Financial Statements

September 30, 2001 and 2000

(Dollars in thousands)

Equity index futures are used in at least one of the commingled funds used by the Retirement Funds in order to gain exposure to U. S. equity markets in a more efficient and liquid manner than directly investing in all of the underlying equity securities. Equity index futures can pose market risk when the maximum potential loss on a particular contract is greater than the value of the underlying investment. Market risks arise due to movements in the equities markets underlying the contracts used by the Retirement Funds. Credit risk is managed by dealing with the futures exchanges.

Exchange-traded and over-the-counter bond futures and options are used by the Retirement Funds to gain exposure to fixed income markets in a more efficient and liquid manner than by purchasing the underlying bonds. Market risk for these options is limited to purchase cost. Credit risk is managed by limiting transactions to counterparties with investment grade ratings or by trading on organized exchanges.

Warrants are used by the Retirement Funds to gain equity exposure and to enhance performance. Warrants are often distributed by issuers to holdings of common stock and bonds, and are held for the same fundamental reasons as the original common stock and/or bond holdings. Market risk is limited to the purchase cost. Credit risk is similar to the underlying equity and/or bond holdings.

The Retirement Funds also holds derivative instruments indirectly by participating in pooled, commingled, mutual, or short-term funds that hold derivatives. Information regarding any risks associated with these holdings is not generally available.

The proportion of derivative investments in the Retirement Funds varies throughout the year. Further information regarding balances throughout the year is not available.

The Retirement Funds' aggregate portfolio included the following derivative investments, at fair value, at September 30, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Mortgage backed security pools and securities	\$ 45,123	31,023
Collateralized mortgaged obligations	21,672	11,455
Asset backed securities	71,872	56,069
Floating rate notes	—	11,581
Mortgage backed securities forward contracts	203,982	293,451
Inflation index bonds	—	29,954
Structured notes (including stripped securities)	3,377	15,183
Foreign currency futures/forward contracts, net	—	(6,528)
Stock performance index futures fund	85,270	18,345
Options	—	(2,754)
Total	<u>\$ 431,296</u>	<u>457,779</u>

**DISTRICT OF COLUMBIA  
TEACHERS' RETIREMENT FUND**

Schedule of Employer Contributions

(Unaudited)

(Dollars in thousands)

	<u>Annual required contribution</u>	<u>Percentage contributed</u>
Fiscal year ended September 30:		
2001	\$ 200	100%
2000	10,700	100%
1999	18,600	100%
1998	9,700	100%

**DISTRICT OF COLUMBIA  
TEACHERS' RETIREMENT FUND**

Schedule of Actuarial Methods and Assumptions  
(Unaudited)

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuations follows.

Valuation date	October 1, 1999
Actuarial cost method	Aggregate
Amortization method	Not applicable
Remaining amortization period	Not applicable
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increase	5.3%-8.8%
Includes inflation at	7.25%
Cost-of-living adjustments (COLAs)	5%
(1) Post-1996 hires have COLAs capped at 3.00%	5% <sup>(1)</sup>

The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

**DISTRICT OF COLUMBIA  
TEACHERS' RETIREMENT FUND**

Schedule of Revenue by Source and Expenses by Type

Last Ten Fiscal Years

(Unaudited)

(Dollars in thousands)

**Revenue by Source**

		<b>Employee contributions</b>	<b>Employer contributions</b>	<b>Interest and dividends</b>	<b>Net appreciation (depreciation) in fair value of investments</b>	<b>Investment, Interest, and administrative expenses</b>	<b>Total</b>
Fiscal year:							
2001	\$	24,047	200	31,112	(129,875)	(6,595)	(81,111)
2000		23,646	10,700	28,896	78,536	(6,681)	135,097
1999		21,537	18,600	26,573	105,295	(4,694)	167,311
1998		20,385	9,700	21,109	(9,756)	(3,915)	37,523
1997		19,405	88,100	65,682	363,256	(14,655)	521,788
1996		20,904	111,000	56,118	119,063	(4,691)	302,394
1995		23,564	87,100	51,014	161,434	(4,398)	318,714
1994		23,784	98,600	50,310	(7,216)	(4,202)	161,276
1993		21,375	98,800	46,169	117,472	(3,381)	280,435
1992		20,765	84,200	50,088	41,682	(3,833)	192,902

**Expenses by Type**

		<b>Benefits</b>	<b>Refunds</b>	<b>Total</b>
Fiscal year:				
2001	\$	2,600	—	2,600
2000		1,600	—	1,600
1999		700	—	700
1998		200	479	679
1997		144,007	408	144,485
1996		134,803	1,175	135,978
1995		115,415	1,294	116,709
1994		110,620	1,471	112,091
1993		102,667	1,713	104,380
1992		97,533	1,315	98,848

Note: Contributions were made in accordance with actuarially determined contribution requirements.

The Revitalization Act of 1997 made significant changes to the administration of the Fund. Therefore, comparisons of pre-Revitalization Act information to post-Revitalization Act information may not be meaningful.



**DISTRICT OF COLUMBIA  
TEACHERS' RETIREMENT FUND**

**Schedule of Investment Information**

**Year ended September 30, 2001**

**(Unaudited)**

At September 30, 2001, the Fund's investments were maintained under a master trust agreement along with assets of the District of Columbia Police Officers and Fire Fighters' Retirement Fund. A schedule of investments held under the master trust agreement at September 30, 2001 is available for inspection at the offices of the District of Columbia Retirement Board, Suite 300, 1400 L Street, N.W., Washington, D.C. 20005.

**DISTRICT OF COLUMBIA  
TEACHERS' RETIREMENT FUND**

Schedule of Five Percent Reportable Series of Transactions

Year ended September 30, 2001

(Unaudited)

Each transaction with State Street Bank and Trust Company as disclosed in this schedule represents a "reportable transaction" as that term is defined by D.C. Code § 1-903.06(b)(3), (2001 Ed.).

**DISTRICT OF COLUMBIA  
POLICE OFFICERS AND FIRE FIGHTERS'  
RETIREMENT FUND**

Financial Statements and Schedules

September 30, 2001 and 2000

(With Independent Auditors' Report Thereon)

**DISTRICT OF COLUMBIA  
POLICE OFFICERS AND FIRE FIGHTERS'  
RETIREMENT FUND**

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2001 M Street, N.W.  
Washington, D.C. 20036

## **Independent Auditors' Report**

Board of Trustees  
District of Columbia Police Officers and Fire Fighters' Retirement Fund:

We have audited the accompanying statements of net assets of the District of Columbia Police Officers and Fire Fighters' Retirement Fund (the Fund), a pension trust fund of the Government of the District of Columbia (the District), as of September 30, 2001 and 2000, and the related statements of changes in net assets for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1, the financial statements only present the financial activity of the Fund and are not intended to present the financial position and results of information of the District taken as a whole.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the District of Columbia Police Officers and Fire Fighters' Retirement Fund as of September 30, 2001 and 2000, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The information on schedules 1 and 2 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied to schedules 1 and 2 certain limited procedures prescribed by professional standards, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information on schedules 3 through 5 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion thereon.

**KPMG LLP**

December 28, 2001



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is  
a member of KPMG International, a Swiss association.

**DISTRICT OF COLUMBIA  
POLICE OFFICERS AND FIRE FIGHTERS'  
RETIREMENT FUND**

Statements of Net Assets

September 30, 2001 and 2000

(Dollars in thousands)

<b>Assets</b>	<b>2001</b>	<b>2000</b>
Equity in pooled investments under Master Trust Agreement, at fair value (note 4)	\$ 1,159,327	1,250,857
Accrued interest receivable	5,034	5,291
Benefit contributions receivable	982	956
Total assets	<u>1,165,343</u>	<u>1,257,104</u>
 <b>Liabilities</b>		
Liabilities under securities lending agreements	67,777	74,927
Accounts payable – investment expenses	802	776
Due to Federal Government	2,000	2,200
Due to District of Columbia Government	943	190
Total liabilities	<u>71,522</u>	<u>78,093</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 1,093,821</u>	<u>1,179,011</u>

See accompanying notes to financial statements.

**DISTRICT OF COLUMBIA  
POLICE OFFICERS AND FIRE FIGHTERS'  
RETIREMENT FUND**

Statements of Changes in Net Assets  
Years ended September 30, 2001 and 2000  
(Dollars in thousands)

	<u>2001</u>	<u>2000</u>
Additions:		
Contributions:		
District government	\$ 49,000	39,900
District employees	16,832	16,285
Total contributions	<u>65,832</u>	<u>56,185</u>
Investment income:		
Net appreciation (depreciation) in fair value of investments	(182,944)	110,614
Interest and dividends	44,214	39,243
	<u>(138,730)</u>	<u>149,857</u>
Less:		
Investment expenses	2,858	2,234
Interest expense on securities lending transactions	5,435	5,630
Net investment income (loss)	<u>(147,023)</u>	<u>141,993</u>
Total additions	<u>(81,191)</u>	<u>198,178</u>
Deductions:		
Benefit payments	2,838	2,200
Administrative expenses	1,161	1,073
Total deductions	<u>3,999</u>	<u>3,273</u>
Net (decrease) increase in net assets	<u>(85,190)</u>	<u>194,905</u>
Net assets held in trust for pension benefits:		
Beginning of year	<u>1,179,011</u>	<u>984,106</u>
End of year	<u>\$ 1,093,821</u>	<u>1,179,011</u>

See accompanying notes to financial statements.

**DISTRICT OF COLUMBIA  
POLICE OFFICERS AND FIRE FIGHTERS'  
RETIREMENT FUND**

Notes to Financial Statements

September 30, 2001 and 2000

(Dollars in thousands)

**(1) Organization**

The District of Columbia Police Officers and Fire Fighters' Retirement Fund (the Fund) was established in 1979 by the District of Columbia Retirement Reform Act (the Reform Act, Pub. L. 96-122, D. C. Code § 1-701 et seq.). The Fund provides assets to pay pension benefits to police officers and fire fighters in the District. The Reform Act also established the District of Columbia Retirement Board (the Board) and the District of Columbia Teachers' Retirement Fund (the Teachers' Fund).

The National Capital Revitalization and Self-Government Improvement Act of 1997 (the Revitalization Act, Title XI of the Balanced Budget Act of 1997, Pub. L. 105-33) transferred the District of Columbia Judges' Retirement Fund to the United States Federal Government (the Federal Government). The Revitalization Act also transferred significant assets and liabilities of the Fund and the Teachers' Retirement Fund (collectively, the District Retirement Funds) to the Federal Government.

Concurrently, the District of Columbia Retirement Protection Act of 1997 (the Retirement Protection Act, Subtitle A of the Revitalization Act) transferred to the Federal Government the liability for retirement benefits for employee service credit earned prior to July 1, 1997, by participants of the District Retirement Funds. The assets transferred to the Federal Government and the assets of the District Retirement Funds managed by the Retirement Board are components of the same single employer defined benefit pension plan.

As required by the Retirement Protection Act, the Council of the District of Columbia (the Council) enacted the Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Plan Act of 1998 (September 18, 1998, D.C. Law 12-152, § 101, 45 DCR 4045; D.C. Code § 1-901.01 et seq.). This Act (the Replacement Act) established the pension benefits for employee service provided after June 30, 1997, and provides for full funding of the benefits on an actuarially sound basis.

The Board is an independent agency of the District of Columbia Government (the District) that is responsible for managing the assets of the District Retirement Funds. Although the assets of the funds are commingled for investment purposes, each Fund's assets may only be used for the payment of benefits to the members of that Fund and certain administrative expenses.

The Fund is included in the District's Comprehensive Annual Financial Report as a pension trust fund.



**DISTRICT OF COLUMBIA  
POLICE OFFICERS AND FIRE FIGHTERS'  
RETIREMENT FUND**

Notes to Financial Statements

September 30, 2001 and 2000

(Dollars in thousands)

**(2) Fund Administration and Description**

***District of Columbia Retirement Board***

The Board consists of 12 trustees, three appointed by the Mayor of the District, three appointed by the Council of the District, and six elected by the active and retired participants. Included are one active and one retired representative each from the police officers, firefighters, and teachers. The six employee representatives are elected by their respective groups of active and retired employees.

Since its inception, the Board has operated under a committee system which provides a two-tiered process for fiduciary review and analysis. In this manner, the Board, consistent with its fiduciary duties, thoroughly and comprehensively reviews all issues brought before it. The Board has six standing committees, including Benefits, Fiduciary, Investment, Legislative, Operations, and Minority Participation. To implement its policies, the Board retains the executive director and other staff to be responsible for the day-to-day management of the District Retirement Funds.

***Other Administration***

The District of Columbia Police Officers and Fire Fighters' Retirement Relief Board makes findings of fact, conclusions of law, and decisions regarding retirement, survivor benefits, extent of disability, and annual medical and income reviews. The Board of Police and Fire Surgeons determines medical eligibility for disability retirement. The Office of Pay and Retirement Services (OPRS) within the D. C. Office of Financial Operations and Systems, Office of the Chief Financial Officer, receives retirement orders for retirement benefit calculations for all active plan members found eligible for retirement and carries out the day-to-day processing of retirement benefits. OPRS also processes employee requests for refunds of contributions.

***Eligibility***

A participant becomes a member when he/she starts work as a police officer or fire fighter in the District. Police cadets are not eligible to join the Fund.

Retirement and disability benefit provisions for District of Columbia police officers and fire fighters are established by the "Policemen and Firemen's Retirement and Disability Act," codified at D.C. Code § 5-701 et seq. (2001 Ed.).

**DISTRICT OF COLUMBIA  
POLICE OFFICERS AND FIRE FIGHTERS'  
RETIREMENT FUND**

Notes to Financial Statements

September 30, 2001 and 2000

(Dollars in thousands)

***Members Hired Before February 15, 1980***

Members are eligible for optional retirement with full benefits at any age with 20 years of departmental service, or after age 55 with five years of departmental service. The annual basic retirement benefit equals 2.5% of average pay, which is defined as the highest consecutive 12 months of departmental service, multiplied by departmental service up to 20 years, plus 3% of average pay multiplied by departmental service over 20 years, plus 2.5% of average pay multiplied by credited service, but not more than 80% of the average pay. Members terminated after five years of police or fire service are entitled to a deferred pension beginning at age 55. Benefits are also provided to certain survivors of active, retired, or terminated vested members. Members receive the per centum increase granted to active participants in the schedule rate to which the member would be entitled if in active service.

Members with permanent, service-related disabilities who have less than 26 years and eight months of service receive two-thirds (2/3) of average pay. Members with 26 years and eight months to 28 years of service receive 2.5% of average pay multiplied by service. Members with more than 28 years of service receive 70% of average pay.

Members with permanent, nonservice related disabilities who have 5 to 20 years of service receive 40% of average pay, 20 to 35 years of service receive 2% of average pay multiplied by service and more than 35 years of service receive 70% of average pay.

***Members Hired Between February 15, 1980 and November 10, 1996***

Members are eligible for optional retirement with full benefits at age 50 with at least 25 years of departmental service, or after 55 with five years of departmental service. The annual basic retirement benefit equals 2.5% of average pay, which is defined as the highest consecutive 36 months of departmental service, multiplied by departmental service up to 25 years, plus 3% of average pay multiplied by departmental service over 25 years plus, 2.5% of average pay multiplied by credited service, but not more than 80% of the average pay. Members separated after five years of departmental service are entitled to a deferred pension beginning at age 55.

Members with permanent, service-related disabilities receive 70% of final pay multiplied by percentage of disability, with a minimum benefit of 40% of final pay.

Members with permanent, nonservice related disabilities with more than 5 years of service receive 70% of final pay multiplied by percentage of disability, with a minimum benefit of 30% of final pay.

Benefits are also provided to certain survivors of active, retired or terminated vested members. Members retired after February 15, 1980 receive annual benefit increases proportional to changes in the Consumer Price Index.

**DISTRICT OF COLUMBIA  
POLICE OFFICERS AND FIRE FIGHTERS'  
RETIREMENT FUND**

Notes to Financial Statements

September 30, 2001 and 2000

(Dollars in thousands)

***Members Hired on or After November 10, 1996***

Members are eligible for retirement at any age, with at least 25 years of departmental service or after age 55 with five years of departmental service. The annual basic retirement benefit equals 2.5% of average pay, which is defined as the highest consecutive 36 months of departmental service, multiplied by departmental service, but not more than 80% of the average pay. Members separated after five years of departmental service are entitled to a deferred pension beginning at age 55. Benefits are also provided to certain survivors of active, retired, or terminated vested members. Members receive annual benefit increases proportional to changes in the Consumer Price Index, but not more than 3%.

Members with permanent, service-related disabilities receive 70% of final pay multiplied by percentage of disability, with a minimum benefit of 40% of final pay.

Members with permanent, nonservice related disabilities with more than five years of service receive 70% of final pay multiplied by percentage of disability, with a minimum benefit of 30% of final pay.

***Participant Data***

For the years ended September 30, 2001 and 2000, the number of participating employees was as follows:

	<u>2001</u>	<u>2000</u>
Retirees and beneficiaries receiving benefits (includes retirees being paid by the Federal Government)	7,614	7,547
Active plan members	4,091	4,140
Active nonvested plan members	624	646
Total	<u>12,329</u>	<u>12,333</u>

***Contributions***

Fund members contribute by salary deductions at rates established by D.C. Code § 5-706 (2001 Ed.). Members contribute 7% (or 8% for Police Officers and Fire Fighters hired on or after November 10, 1996) of annual salary, including any differential for special assignment, but excluding overtime, longevity, holiday, or military pay.

The District is required to contribute the remaining amounts necessary to finance the coverage of its employees through annual contributions at actuarially determined amounts in accordance with the provisions of the Replacement Act. The District contributions for fiscal years 2001 and 2000 were equal to the Fund's independent actuary's recommendation.

Contribution requirements of Fund members are established by D.C. Code § 5-706 and requirements for District of Columbia government contributions to the Fund are established at D.C. Code § 1-907.02 (2001 Ed.), which may be amended by the council. Administrative costs are financed through investment earnings.

**DISTRICT OF COLUMBIA  
POLICE OFFICERS AND FIRE FIGHTERS'  
RETIREMENT FUND**

Notes to Financial Statements

September 30, 2001 and 2000

(Dollars in thousands)

**(3) Summary of Significant Accounting Policies**

***Basis of Accounting***

The financial statements are prepared using the accrual basis of accounting where the measurement focus is on the flow of economic resources. Employee contributions are recognized as compensation is earned by fund members. Employer contributions to the Fund are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Fund.

***Method Used to Value Investments***

Investments are reported at fair value, and reflect transaction costs, such as brokerage commissions and other costs normally incurred in a sale, if such costs are determinable. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rate. Collateralized mortgage obligations are stated at fair value. The fair value of real estate investments is based on independent appraisals, when available, and the fair value of limited partnership interests in real estate investments is based on reported estimated fair values. Investments that do not have established market values are reported at estimated fair value.

***Actuarial Data***

The Fund uses the Aggregate Actuarial Cost method to determine the annual contribution. The excess of the actuarial present value of projected benefits of the group included in an actuarial valuation over the sum of the actuarial value of assets and the actuarial present value of employee contributions is allocated on a level basis over the earnings or service of the group between the valuation date and assumed exit date. This allocation is performed for the group as a whole, not as a sum of individual allocations. That portion of the actuarial present value allocated to a valuation year is called the normal cost. The actuarial accrued liability is equal to the actuarial value of assets.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Board to make estimates and assumptions that affect the reported amounts of assets, liabilities, additions and deductions to net assets held in trust for pension benefits and disclosure of contingent assets and liabilities at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

***Investment Expenses***

The District of Columbia Appropriation Act authorized Fund earnings to be used for investment expenses incurred in managing the assets and administering the Fund. The total investment expenses borne by the Fund was and \$2,858 in 2001 and \$2,234 in 2000, respectively.

**DISTRICT OF COLUMBIA  
POLICE OFFICERS AND FIRE FIGHTERS'  
RETIREMENT FUND**

Notes to Financial Statements

September 30, 2001 and 2000

(Dollars in thousands)

**(4) Investments**

The Board is authorized to manage and control the investment of the District Retirement Funds' assets. The Board broadly diversifies the investments of the District Retirement Funds so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so, as required by D.C. Code § 1-741(a)(2)(C), (2001 Ed.). The District Retirement Funds are authorized to be invested in a variety of investments including fixed income, equity securities and other types of investments. As prescribed in D.C. Code § 1-907.01 (2001 Ed.), the Board shall not invest in debt instruments of the District, the Commonwealth of Virginia or State of Maryland governments, political subdivisions thereof, or any entity subject to control by them; debt instruments fully guaranteed by those governments; real property in those jurisdictions; or debt instruments secured by real property in those jurisdictions.

***Master Trust***

The Board has pooled all of the assets under its management (the Investment Pool), as is authorized by D.C. Code § 1-903(b), (2001 Ed.), with a master custodian under a master trust arrangement (the Master Trust). Using an investment pool, each Fund has equity in the pool. District and employee contributions are deposited to the respective Retirement Fund for which the contribution was made, and benefit payments and employee contribution refunds are withdrawn from the Fund in which the recipient participates. Investment performance and administrative expenditures are allocated between the two Funds based upon their proportionate equity in the pool. The fair values of investments of the Investment Pool as of September 30, 2001 and 2000 are as follows:

**DISTRICT OF COLUMBIA  
POLICE OFFICERS AND FIRE FIGHTERS'  
RETIREMENT FUND**

Notes to Financial Statements

September 30, 2001 and 2000

(Dollars in thousands)

	<u>2001</u>	<u>2000</u>
Investments categorized (A):		
Investments – held by Board’s agent in Board’s name:		
Cash and cash equivalents	\$ 472,435	309,719
Equities (of which \$0 and \$839 in 2001 and 2000, respectively, is on securities loan with securities and other collateral)	1,063,641	1,277,699
Fixed income securities (of which \$9,381 and \$1,347 in 2001 and 2000, respectively, is on securities loan with securities and other collateral)	645,862	682,162
Payable on investment transactions	<u>(422,100)</u>	<u>(356,256)</u>
Subtotal	<u>1,759,838</u>	<u>1,913,324</u>
Investments not categorized (B):		
Real Estate	<u>4,877</u>	<u>5,295</u>
Investments held by broker-dealer under securities loans with cash collateral:		
Equities	38,235	46,148
Fixed income security	74,785	78,874
Securities lending collective investment pool	<u>115,813</u>	<u>129,091</u>
Subtotal	<u>228,833</u>	<u>254,113</u>
Total	<u>\$ 1,993,548</u>	<u>2,172,732</u>

(A) All categorized investments are Category 1 risk.

(B) These investments are not categorized because they are not evidenced by securities that exist in physical or book entry form.

**DISTRICT OF COLUMBIA  
POLICE OFFICERS AND FIRE FIGHTERS'  
RETIREMENT FUND**

Notes to Financial Statements

September 30, 2001 and 2000

(Dollars in thousands)

Investments are categorized by level of custodial credit risk (the risk that a counterparty to an investment transaction will not fulfill its obligations). Category 1, the lowest risk, includes investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the entity's name. Category 3, the highest risk, includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the entity's name.

At September 30, 2001, the Fund's share of the Investment Pool was \$1,164,361, including cash collateral of \$67,777 and accrued interest receivable. At September 30, 2000, the Fund's share of the Investment Pool was \$1,256,148, including cash collateral of \$74,927 and accrued interest receivable.

***Securities Lending Transactions***

District statutes and the Board's policies permit the Retirement Funds to participate in securities lending transactions via a Securities Lending Authorization Agreement, which authorizes the master custodian to lend the Board's securities to qualified broker-dealers and banks pursuant to a form of loan agreement.

During 2001 and 2000, the master custodian, at the direction of the Board, lent the Retirement Funds' equity and fixed income securities and received collateral in the form of cash (United States and foreign currency), securities issued or guaranteed by the United States government, the sovereign debt of Organization of Economic Cooperation and Development countries and irrevocable letters of credit issued by a bank insured by the FDIC. The collateral could not be pledged or sold unless the borrower defaulted on the loan. Borrowers delivered collateral for each loan equal to (i) at least 102% of the market value of the loaned securities if these securities were sovereign debt issued by a foreign government denominated in U.S. dollars or their primary trading market was located in the United States; or (ii) 105% of the market value of the loaned securities in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States.

The Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool (the Quality Fund).

Because the Quality Fund does not meet the requirements of rule 2a-7 of the Investment Company Act of 1940, the master custodian has valued the Fund's investments at fair value for reporting purposes.

The Quality Fund is not registered with the Securities and Exchange Commission. The master custodian, and consequently the investment vehicles it sponsors (including the Quality Fund), are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the Funds' position in the Quality Fund is not the same as the value of the Retirement Funds' shares.

There was no involuntary participation in an external investment pool by the Quality Fund and there was no income from one fund that was assigned to another fund by the master custodian during 2001 or 2000.

**DISTRICT OF COLUMBIA  
POLICE OFFICERS AND FIRE FIGHTERS'  
RETIREMENT FUND**

Notes to Financial Statements

September 30, 2001 and 2000

(Dollars in thousands)

The average duration of the investment pool as of both September 30, 2001 and 2000 was 74 days, and the average weighted maturity was 193 and 161 days, respectively. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral.

During 2001 and 2000, the Board did not restrict the amount of the loans that the master custodian made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon and there were no losses resulting from a default of the borrowers or the master custodian during 2001 and 2000.

On September 30, 2001 and 2000, the Board had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for the Board were \$125,382 and \$122,402, respectively, as of September 30, 2001, and \$131,387 and \$127,207, respectively as of September 30, 2000. During 2001 and 2000, the Master Trust's gross earnings from securities lending transactions totaled \$9,433 and \$10,137, respectively. The income (net of amortization and accretion), the net realized/unrealized gain attributable to discount and premium, and the net increase in net assets resulting from operations totaled \$7,807, \$1,500, and \$9,306, respectively, in 2001, and \$8,326, \$1,573, and \$9,899, respectively, in 2000. The Fund's share of the net earnings on securities lending transactions totaled \$444 and \$296 in 2001 and 2000, respectively.

***Derivative Investments***

Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. Structured financial instruments are also defined as derivatives, such as mortgage-backed securities, asset-backed securities, and floating rate notes. Derivative investments generally contain exposure to credit risk, market risk, and/or legal risk. Credit risk is the exposure to the default of another party to the transaction (counterparty), or to the creditworthiness of derivative securities, such as mortgage-backed, asset-backed, floating rate, and stripped securities. Market risk is the exposure to changes in the market, such as a change in interest rates, currency exchange rates, or a change in the price or principal value of a security. The Board believes that all contracts entered into are legally permissible in accordance with the policy of the Board.

During 2001 and 2000, the Retirement Funds, in accordance with the policy of the Board, invested in various derivative instruments either to increase potential earnings or to hedge against potential losses. These derivatives included asset-backed securities (ABS), collateralized mortgage-backed securities (CMOs), mortgage-backed pools and securities, floating rate notes, structured notes, stripped/zero coupon bonds, inflation index bonds, forward mortgage-backed security contracts (TBAs), foreign currency forward and futures contracts, equity index futures, bond futures, bond options, currency options, and warrants.



**DISTRICT OF COLUMBIA  
POLICE OFFICERS AND FIRE FIGHTERS'  
RETIREMENT FUND**

Notes to Financial Statements

September 30, 2001 and 2000

(Dollars in thousands)

The Retirement Funds used ABS, CMOs, mortgage-backed pools and securities, floating rate notes, structured notes, stripped/zero coupon bonds, and TBAs primarily to increase potential returns. ABS and mortgage-backed pools and securities offer higher potential yields than comparable duration U. S. Treasury Notes with higher credit and market risks. CMOs also offer higher potential yields than comparable duration U. S. Treasury Notes, with higher market risks, although the market risks may be higher or lower than comparable mortgage-backed pools. Market risk for asset-backed and mortgage-backed pools and securities is managed by monitoring the duration of the investments. Credit risk is managed by monitoring credit ratings, the underlying collateral for each security and any related guarantee.

Floating rate notes (securities which pay an interest rate tied to an index) are subject to market risk to the extent of the movement of the underlying index in relation to market rates. A downward movement in the underlying index would negatively impact the interest income received on the security. Upward movements in interest rates do not adversely affect floating rate notes as they do fixed rate notes, allowing floating rate notes to function as a hedge against upward changes in interest rates.

The Retirement Funds invest in structured notes with step-up coupons that offer higher yields than comparable U.S. Treasury Notes in exchange for higher market and/or credit risks. Securities with step-up coupons pay interest according to a pre-set series of interest rates which start at one rate and then step-up to higher rates on specific dates. The Retirement Funds also contain stripped/zero coupon bonds, which are purchased at a discount and do not pay any interest.

TBAs are used by the Retirement Funds as an alternative to holding mortgage-backed securities outright to raise the potential yield and to reduce transaction costs. The TBAs used are assumed to be similar in duration and convexity to mortgage-backed securities with identical credit, coupon and maturity features. Credit risk is managed by limiting these transactions to primary dealers. Market risk for this type of security is not significantly different from the market risk for mortgage-backed securities.

Foreign currency forward and futures contracts and foreign currency options are used by the Retirement Funds for defensive purposes. These contracts hedge a portion of the Retirement Funds' exposure to particular currencies on occasion when significant adverse short-term movement in exchange rate levels are expected. Foreign currency forward and futures contracts can pose market risk when the maximum potential loss on a particular contract is greater than the value of the underlying investment. Market risks arise due to movements in the foreign exchange rates underlying the contracts used by the Retirement Funds. Credit risk is managed by limiting transactions to counterparties with short-term credit ratings of A1 or P1 or by trading on organized exchanges. Market risk for currency options is limited to the purchase cost. Credit risk is managed by limiting transactions to counterparties with investment grade ratings or by trading on organized exchanges.

**DISTRICT OF COLUMBIA  
POLICE OFFICERS AND FIRE FIGHTERS'  
RETIREMENT FUND**

Notes to Financial Statements

September 30, 2001 and 2000

(Dollars in thousands)

Equity index futures are used in at least one of the commingled funds used by the Retirement Funds in order to gain exposure to U. S. equity markets in a more efficient and liquid manner than directly investing in all of the underlying equity securities. Equity index futures can pose market risk when the maximum potential loss on a particular contract is greater than the value of the underlying investment. Market risks arise due to movements in the equities markets underlying the contracts used by the Retirement Funds. Credit risk is managed by dealing with the futures exchanges.

Exchange-traded and over-the-counter bond futures and options are used by the Retirement Funds to gain exposure to fixed income markets in a more efficient and liquid manner than by purchasing the underlying bonds. Market risk for these options is limited to purchase cost. Credit risk is managed by limiting transactions to counterparties with investment grade ratings or by trading on organized exchanges.

Warrants are used by the Retirement Funds to gain equity exposure and to enhance performance. Warrants are often distributed by issuers to holdings of common stock and bonds, and are held for the same fundamental reasons as the original common stock and/or bond holdings. Market risk is limited to the purchase cost. Credit risk is similar to the underlying equity and/or bond holdings.

The Retirement Funds also holds derivative instruments indirectly by participating in pooled, commingled, mutual, or short-term funds that hold derivatives. Information regarding any risks associated with these holdings is not generally available.

The proportion of derivative investment in the Retirement Funds varies throughout the year. Further information regarding balances throughout the year is not available.

The Fund's aggregate portfolio included the following derivative investments, at fair value, at September 30, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Mortgage backed security pools and securities	\$ 45,123	31,023
Collateralized mortgage obligations	21,672	11,455
Asset backed securities	71,872	56,069
Floating rate notes	—	11,581
Mortgage backed securities forward contracts	203,982	293,451
Inflation index bonds	—	29,954
Structured notes (including stripped securities)	3,377	15,183
Foreign currency futures/forward contracts, net	—	(6,528)
Stock performance index futures fund	85,270	18,345
Options	—	(2,754)
Total	<u>\$ 431,296</u>	<u>457,779</u>

**DISTRICT OF COLUMBIA  
POLICE OFFICERS AND FIRE FIGHTERS'  
RETIREMENT FUND**

Schedule of Employer Contributions

(Unaudited)

(Dollars in thousands)

<b><u>Fiscal Year</u></b>	<b><u>Annual required contribution</u></b>	<b><u>Percentage contributed</u></b>
2001	\$ 49,000	100%
2000	39,900	100%
1999	35,100	100%
1998	47,700	100%

**DISTRICT OF COLUMBIA  
POLICE OFFICERS AND FIRE FIGHTERS'  
RETIREMENT FUND**

Schedule of Actuarial Methods and Assumptions  
(Unaudited)

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

	<u>September 30, 2001</u>
Valuation date	October 1, 1999
Actuarial cost method	Aggregate
Amortization method	Not applicable
Remaining amortization period	Not applicable
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	5.5%-8.8%
Includes inflation at	5%
Cost-of-living adjustments (COLAs)	5% <sup>(1)</sup>
(1) Post-1996 hires have COLAs capped at 3.00%	

The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

**DISTRICT OF COLUMBIA  
POLICE OFFICERS AND FIRE FIGHTERS'  
RETIREMENT FUND**

Schedule of Revenue by Source and Expenses by Type

Last Ten Fiscal Years

(Unaudited)

(Dollars in thousands)

**Revenue by source**

<b>Fiscal year</b>		<b>Employee contributions</b>	<b>Employer contributions</b>	<b>Interest and dividends</b>	<b>Net appreciation (depreciation) in fair value of investments</b>	<b>Investment, interest and administrative expenses</b>	<b>Total</b>
2001	\$	16,832	49,000	44,214	(182,944)	(9,454)	(82,352)
2000		16,285	39,900	39,243	110,614	(8,937)	197,105
1999		15,736	35,100	29,765	84,694	(6,819)	158,476
1998		14,953	47,700	29,756	(13,806)	(5,399)	73,204
1997		13,796	226,700	96,368	510,240	(20,618)	826,486
1996		13,005	220,000	81,108	159,723	(6,304)	467,532
1995		13,616	204,900	77,096	211,940	(5,802)	501,750
1994		15,180	202,800	73,581	(9,300)	(5,464)	276,797
1993		14,067	188,200	60,728	151,520	(4,312)	410,203
1992		13,901	165,800	70,207	51,080	(4,701)	296,287

**Expenses by type**

<b>Fiscal year</b>		<b>Benefits</b>	<b>Refunds</b>	<b>Total</b>
2001	\$	2,838	—	2,838
2000		2,200	—	2,200
1999		1,600	—	1,600
1998		400	75	475
1997		240,836	162	240,998
1996		213,945	101	214,046
1995		203,251	100	203,351
1994		181,085	185	181,270
1993		171,443	—	171,443
1992		164,342	64	164,406

Note: Contributions were made in accordance with actuarially determined contribution requirements.

The Revitalization Act of 1997 made significant changes to the administration of the Fund. Therefore, comparisons of pre-Revitalization Act information to post-Revitalization Act information may not be meaningful.

**DISTRICT OF COLUMBIA  
POLICE OFFICERS AND FIRE FIGHTERS'  
RETIREMENT FUND**

Schedule of Investment Information

Year ended September 30, 2001

(Unaudited)

At September 30, 2001, the Fund's investments were maintained under a master trust agreement along with assets of the District of Columbia Teachers' Retirement Fund. A schedule of investments held under the master trust agreement at September 30, 2001 is available for inspection at the offices of the District of Columbia Retirement Board, Suite 300, 1400 L Street, N. W., Washington, D. C. 20005.

**DISTRICT OF COLUMBIA  
POLICE OFFICERS AND FIRE FIGHTERS'  
RETIREMENT FUND**

Schedule of Five Percent Reportable Series of Transactions

Year ended September 30, 2001

(Unaudited)

Each transaction with State Street Bank and Trust Company as disclosed in this schedule represents a "reportable transaction" as that term is defined by D.C. Code § 1-903.06(b)(3), (2001 Ed.).

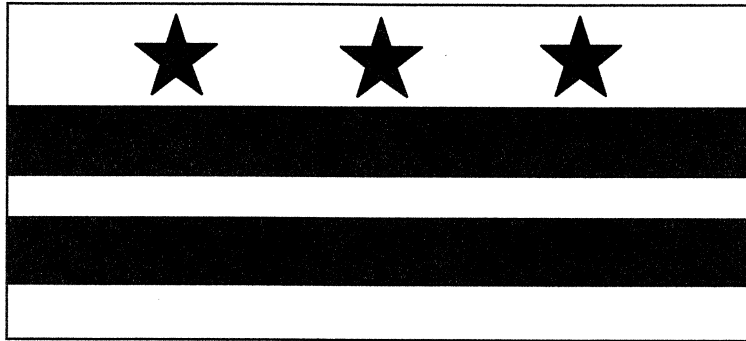
## **Exhibit H**

### **Report From Enrolled Actuary For Fiscal Year 2001**



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**District of Columbia  
Retirement Board**

**Valuation as of October 1, 1999  
for Fiscal Year 2001**



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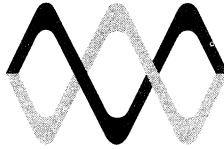
**Required Actuarial Certifications**  
**Under D.C. Law 12-152**  
**for Fiscal Year 2001**  
**(Dollars in Millions)**

<u>Certification</u>	<u>Code Section</u>	<u>Teachers</u>	<u>Police</u>	<u>Fire</u>	<u>Police/Fire Combined</u>	<u>Total District</u>
FY 2001 Normal Contribution Rate	§1-784.3(a)(3)(A)	2.3% <sup>1</sup>	18.8% <sup>1</sup>	22.3% <sup>1</sup>	19.7% <sup>1</sup>	10.1% <sup>1</sup>
Estimated FY 2001 Covered Payroll	NA	\$291.4	\$175.1	\$63.2	\$238.3	\$529.7
FY 2001 District Payment before §1-784.2(c)	NA	\$6.6 <sup>1</sup>	\$32.9 <sup>1</sup>	\$14.1 <sup>1</sup>	\$47.0 <sup>1</sup>	\$53.6 <sup>1</sup>
FY 1999 Shortfall / Overpayment	§1-784.2(c)	(\$6.4)	\$0.7	(\$0.3)	\$0.4	(\$6.0)
FY 2001 District Payment	NA	\$0.2 <sup>1</sup>	\$33.6 <sup>1</sup>	\$13.8 <sup>1</sup>	\$47.4 <sup>1</sup>	\$47.6 <sup>1</sup>
Present Value of Future Benefits	§1-784.3(a)(3)(B)	\$802.5	\$1,333.6	\$533.7	\$1,867.3	\$2,669.8
Current Value of Assets	§1-784.3(a)(3)(C)	\$580.0 <sup>1</sup>	\$806.4 <sup>1</sup>	\$328.2 <sup>1</sup>	\$1,134.6 <sup>1</sup>	\$1,714.6
Actuarial Value of Assets	§1-784.3(a)(3)(D)	\$544.1 <sup>1</sup>	\$765.2 <sup>1</sup>	\$310.8 <sup>1</sup>	\$1,076.0 <sup>1</sup>	\$1,620.1

  
Gene M. Kálwarski, F.S.A.

12/20/99  
(Date)

<sup>1</sup> These amounts are based on an initial allocation of the \$1.275 billion in replacement plan assets between the Teachers' and the Police Officers' and Firefighters' Retirement Funds that has not yet been approved as final. When the final allocation method is determined, any changes will be reflected in District payments in future fiscal years.



**MILLIMAN & ROBERTSON, INC.**

Actuaries & Consultants

*Internationally WOODROW MILLIMAN*

Suite 1000, 8000 Towers Crescent Drive, Vienna, VA 22182-2700

Telephone: 703/917-0143

Fax: 703/827-9266

April 10, 2000

D.C. Retirement Board  
1400 L Street, NW  
Suite 300  
Washington, DC 20005

Dear Members of the Board:

At your request, we have made our annual actuarial valuation of the District of Columbia Retirement Fund as of October 1, 1999, for fiscal year 2001. The results of the valuation are contained in the following report.

This report has been prepared for purposes of disclosure and for statutory funding calculations. Determinations for other purposes may be significantly different than those presented herein.

This report contains the actuarial certification approved by the Board during its December 1999 meeting. However, as a result of the vote of the Board in January 2000 to change the asset distribution method, the normal contribution rates changed from those previously certified. This report reflects the new fiscal year 2001 contribution rates. Any necessary adjustments to the certified 2001 District payment will be realized in the fiscal year 2003 contribution as part of the D.C. Code 1-784.2(c) adjustment.

The actuary has recommended the actuarial assumptions used in this valuation. We believe that the assumptions we have recommended, in the aggregate, are reasonably related to the experience of the Fund and the retirement program and to reasonable expectations, and represent our best estimate of anticipated future experience of the plan.

We have relied, without audit, on employee census data provided by the Office of Payroll and Retirement Services of the District of Columbia. Census data provided to us has been reviewed for reasonableness. The District of Columbia Retirement Board provided us with the market value of assets as of October 1, 1999.

We hereby certify that, to the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices set forth by the American Academy of Actuaries.

Respectfully submitted,

MILLIMAN & ROBERTSON, INC.

A handwritten signature in black ink, appearing to read 'J. Colberg', with a stylized, flowing script.

John L. Colberg, F.S.A.  
Consulting Actuary

A handwritten signature in black ink, appearing to read 'Gene M. Kalwarski', with a stylized, flowing script.

Gene M. Kalwarski, F.S.A.  
Principal & Consulting Actuary

Enclosure

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## ***Section I Board Summary***

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### **Valuation Comments:**

The report presents the results of the October 1, 1999 actuarial valuation of the D.C. Police Officers and Fire Fighters Retirement Fund and the D.C. Teachers Retirement Fund (the Funds) for the District of Columbia Retirement Board (the Board). The primary purposes of performing the valuation are as follows.

- to **determine the appropriate contribution** to each Fund to be paid by the District in Fiscal Year 2001;
- to **determine the overpayment or shortfall** from the District to each fund for the prior fiscal year;
- to **disclose asset and liability measures** of each fund; and
- to **analyze and report on trends** in the contributions, assets, and liabilities of the Funds over the past several years.

Prior to the District of Columbia Retirement Protection Act of 1997 (DCRPA '97), the Board had been responsible for management and control of the Teachers, the Police Officers and Fire Fighters, and the Judges Retirement Funds. However, DCRPA '97 transferred, subject to instruction from the U.S. Treasury, management and control of the entire Judges retirement fund (including liabilities accrued after June 30, 1997) to the Federal Government.

DCRPA '97 also provided that the Federal Government assume the liabilities for anyone retired on or before June 30, 1997, as well as liabilities attributable to active employees' service on or before June 30, 1997. As compensation for absorbing these liabilities, the Federal Government appropriated all but \$1.275 billion of the assets of the three retirement funds as of October 1, 1997. Employee contributions (with interest) made between June 30, 1999 and September 30, 1997 also remained with the District.

Following the Federal legislation, the District government passed D.C. Law 12-189 that required future District contributions to be made in accordance with an actuarially sound funding method to try to prevent the District from incurring any future unfunded liabilities.

Over the past few years, the funds have been experiencing fluctuations in the investment return as a result of volatility in the financial markets. On a market value basis, the fund experienced an approximate return of 18.5% for fiscal year ending September 30, 1999. This followed a 1.7% return for fiscal year ending September 30, 1998 and a 27% return for fiscal year ending September 30, 1997. This volatility could potentially cause significant fluctuations in the District contribution rate. In order to minimize such fluctuations, the Board voted last year to use an actuarial ("smoothed") value of assets for determining the District contribution beginning with the fiscal year 2001 District payment. The determination of the actuarial value of assets is detailed in Section II.

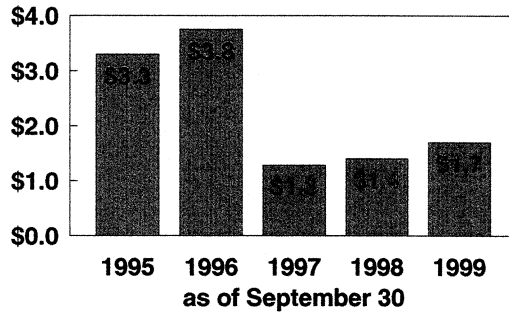
Finally, for the first time, the District payment reflects the adjustment pursuant to §1-784.2(c) of the D.C. Code. This adjustment either raises or lowers the District payment based on the comparison of actual and projected fiscal year covered payroll. This adjustment is detailed in Section III.



The balance of this section presents system trends and tables summarizing results for both of the Retirement Funds.

### Trends of the Retirement Funds:

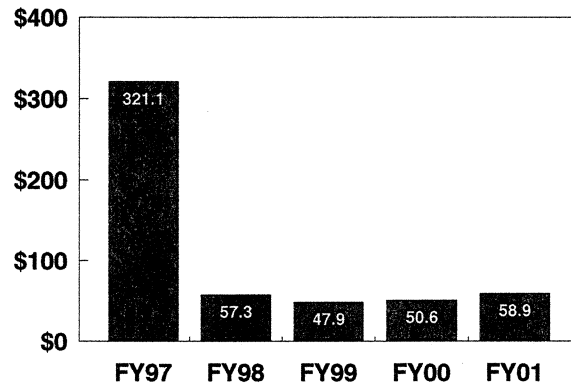
Billions **Market Value of Assets**



After returning 1.7% for fiscal year ending September 30, 1998, the fund returned 18.5% for fiscal year ending September 30, 1999. This was far in excess of the actuarial assumed rate of 7.25%.

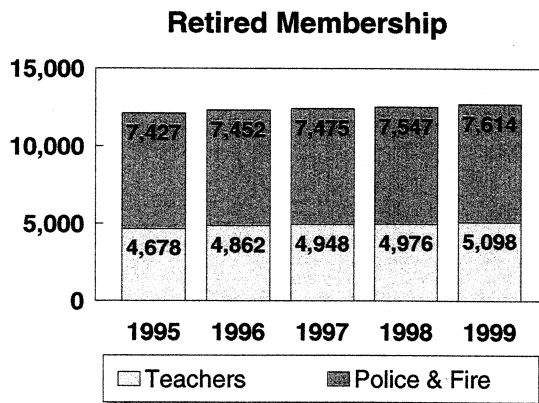
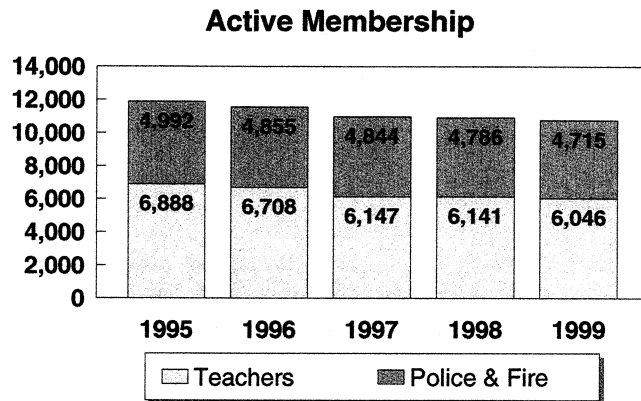
*The District of Columbia Retirement Protection Act of 1997 (DCRPA '97) significantly lowered the required District payments. For fiscal years 1998 through 2001, the required District payments have remained relatively stable.*

Millions **District Payments**  
[before D.C. Code §1-784.2(c)]



## Trends of the Retirement Funds (continued):

*In the past five years the number of active participants has declined, as the District has reduced its payroll expenditures.*



*The rate of increase in the retirees has slowed. However, with a large number of Police & Fire eligible to retire, the number of retirees could increase significantly in the near future. Participants who retired on or before June 30, 1997 are receiving their entire benefit from the Federal Government.*





***Report of the Actuary to the D.C. Retirement Board***  
***Valuation as of October 1, 1999***

**SUMMARY OF PRINCIPAL RESULTS**

*(Dollars in Millions)*

<b>1. Participant Data</b>	<b>October 1, 1999</b>	<b>October 1, 1998</b>	<b>Change</b>
Active Members			
Hired prior to mid-November, 1996	9,175	9,949	-7.8%
Hired on or after mid-November, 1996	1,586	978	62.2%
<b>Total</b>	<b>10,761</b>	<b>10,927</b>	<b>-1.5%</b>
Retired Members and Beneficiaries			
Federal Responsibility	12,064	12,285	-1.8%
Joint (Federal & District) Responsibility	648	238	172.3%
<b>Total</b>	<b>12,712</b>	<b>12,523</b>	<b>1.5%</b>
Vested Terminated Members	25	25	0.0%
<b>Total Participants</b>	<b>23,498</b>	<b>23,475</b>	<b>0.1%</b>
Annual Salaries of Active Members	\$496.6	\$485.7	2.2%
Annual Retirement Benefits for Retirees & Beneficiaries			
Federal Responsibility	\$395.2	\$379.5	4.1%
Joint (Federal & District) Responsibility	\$2.3	\$0.7	228.6%
<b>Total</b>	<b>\$397.5</b>	<b>\$380.2</b>	<b>4.6%</b>
<b>2. Assets and Liabilities</b>	<b>October 1, 1999</b>	<b>October 1, 1998</b>	<b>Change</b>
Present Value of Future District Benefits	\$2,669.8	\$2,375.8	12.4%
District Assets for Valuation Purposes	\$1,620.1	\$1,387.7	16.7%
Present Value of Future Employee Contributions	\$406.7	\$390.9	4.0%
Present Value of Future District Contributions	\$728.2	\$597.2	21.9%
Present Value of Future Salaries	\$5,681.5	\$5,510.8	3.1%
Market Value of District Assets	\$1,714.6	\$1,387.7	23.6%
<b>3. District Contribution Results</b>	<b>Fiscal Year 2001</b>	<b>Fiscal Year 2000</b>	<b>Change</b>
Normal Contribution Rate	11.1%	9.8%	13.3%
Projected Payroll	\$529.7	\$515.7	2.7%
District Payment before §1-784.2 Adjustment	\$58.9	\$50.6	16.4%
District Payment after §1-784.2 Adjustment	\$59.3	\$50.6	17.2%



***Report of the Actuary to the D.C. Retirement Board  
for the Teachers' Retirement Fund  
Valuation as of October 1, 1999***

**SUMMARY OF PRINCIPAL RESULTS**

*(Dollars in Millions)*

<b>1. Participant Data</b>	<b>October 1, 1999</b>	<b>October 1, 1998</b>	<b>Change</b>
Active Members			
Hired prior to November 16, 1996	4,967	5,537	-10.3%
Hired on or after November 16, 1996	1,079	604	78.6%
<b>Total</b>	<b>6,046</b>	<b>6,141</b>	<b>-1.5%</b>
Retired Members and Beneficiaries			
Federal Responsibility	4,748	4,872	-2.5%
Joint (Federal & District) Responsibility	350	104	236.5%
<b>Total</b>	<b>5,098</b>	<b>4,976</b>	<b>2.5%</b>
Vested Terminated Members	25	25	0.0%
<b>Total Participants</b>	<b>11,169</b>	<b>11,142</b>	<b>0.2%</b>
Annual Salaries of Active Members	\$275.3	\$281.2	-2.1%
Annual Retirement Benefits for Retirees & Beneficiaries			
Federal Responsibility	\$147.2	\$142.0	3.7%
Joint (Federal & District) Responsibility	\$0.7	\$0.2	250.0%
<b>Total</b>	<b>\$147.9</b>	<b>\$142.2</b>	<b>4.0%</b>
<b>2. Assets and Liabilities</b>	<b>October 1, 1999</b>	<b>October 1, 1998</b>	<b>Change</b>
Present Value of Future District Benefits	\$802.5	\$760.4	5.5%
District Assets for Valuation Purposes	\$691.0	\$461.0	49.9%
Present Value of Future Employee Contributions	\$196.7	\$198.4	-0.9%
Present Value of Future District Contributions	\$0.0	\$101.0	-100.0%
Present Value of Future Salaries	\$2,732.9	\$2,793.3	-2.2%
Market Value of District Assets	\$726.9	\$461.0	57.7%
<b>3. District Contribution Results</b>	<b>Fiscal Year 2001</b>	<b>Fiscal Year 2000</b>	<b>Change</b>
Normal Contribution Rate	0.0%	3.6%	-100.0%
Projected Payroll	\$291.4	\$297.0	-1.9%
District Payment before §1-784.2 Adjustment	\$0.0	\$10.7	-100.0%
District Payment after §1-784.2 Adjustment	\$0.0	\$10.7	-100.0%



***Report of the Actuary to the D.C. Retirement Board  
for the Police Officers' Portion of the  
Police Officers and Fire Fighters' Retirement Fund  
Valuation as of October 1, 1999***

**SUMMARY OF PRINCIPAL RESULTS**

*(Dollars in Millions)*

**1. Participant Data**

	<u>October 1, 1999</u>	<u>October 1, 1998</u>	<u>Change</u>
Active Members			
Hired prior to February 15, 1980	494	620	-20.3%
Hired between Feb. 15, 1980 and Nov. 10, 1996	2,573	2,645	-2.7%
Hired on or after November 10, 1996	412	309	33.3%
<b>Total</b>	<b>3,479</b>	<b>3,574</b>	<b>-2.7%</b>
Retired Members and Beneficiaries			
Federal Responsibility	5,383	5,462	-1.4%
Joint (Federal & District) Responsibility	231	88	162.5%
<b>Total</b>	<b>5,614</b>	<b>5,550</b>	<b>1.2%</b>
Vested Terminated Members	0	0	NA
<b>Total Participants</b>	<b>9,093</b>	<b>9,124</b>	<b>-0.3%</b>
Annual Salaries of Active Members	\$162.8	\$151.3	7.6%
Annual Retirement Benefits for Retirees & Beneficiaries			
Federal Responsibility	\$176.9	\$167.7	5.5%
Joint (Federal & District) Responsibility	\$0.4	\$0.2	100.0%
<b>Total</b>	<b>\$177.3</b>	<b>\$167.9</b>	<b>5.6%</b>

**2. Assets and Liabilities**

	<u>October 1, 1999</u>	<u>October 1, 1998</u>	<u>Change</u>
Present Value of Future District Benefits	\$1,333.6	\$1,154.9	15.5%
District Assets for Valuation Purposes	\$660.3	\$657.9	0.4%
Present Value of Future Employee Contributions	\$156.2	\$142.8	9.4%
Present Value of Future District Contributions	\$517.1	\$354.2	46.0%
Present Value of Future Salaries	\$2,190.7	\$2,013.8	8.8%
Market Value of District Assets	\$701.5	\$657.9	6.6%

**3. District Contribution Results**

	<u>Fiscal Year 2001</u>	<u>Fiscal Year 2000</u>	<u>Change</u>
Normal Contribution Rate	23.6%	17.6%	34.1%
Projected Payroll	\$175.1	\$161.6	8.4%
District Payment before §1-784.2 Adjustment	\$41.3	\$28.4	45.4%
District Payment after §1-784.2 Adjustment	\$42.0	\$28.4	47.9%



***Report of the Actuary to the D.C. Retirement Board  
for the Fire Fighters' Portion of the  
Police Officers and Fire Fighters' Retirement Fund  
Valuation as of October 1, 1999***

**SUMMARY OF PRINCIPAL RESULTS**

*(Dollars in Millions)*

**1. Participant Data**

	<u>October 1, 1999</u>	<u>October 1, 1998</u>	<u>Change</u>
Active Members			
Hired prior to February 15, 1980	243	262	-7.3%
Hired between Feb. 15, 1980 and Nov. 10, 1996	898	885	1.5%
Hired on or after November 10, 1996	95	65	46.2%
<b>Total</b>	<b>1,236</b>	<b>1,212</b>	<b>2.0%</b>
Retired Members and Beneficiaries			
Federal Responsibility	1,933	1,951	-0.9%
Joint (Federal & District) Responsibility	67	46	45.7%
<b>Total</b>	<b>2,000</b>	<b>1,997</b>	<b>0.2%</b>
Vested Terminated Members	0	0	NA
<b>Total Participants</b>	<b>3,236</b>	<b>3,209</b>	<b>0.8%</b>
Annual Salaries of Active Members	\$58.5	\$53.2	10.0%
Annual Retirement Benefits for Retirees & Beneficiaries			
Federal Responsibility	\$71.1	\$69.8	1.9%
Joint (Federal & District) Responsibility	\$1.2	\$0.3	300.0%
<b>Total</b>	<b>\$72.3</b>	<b>\$70.1</b>	<b>3.1%</b>

**2. Assets and Liabilities**

	<u>October 1, 1999</u>	<u>October 1, 1998</u>	<u>Change</u>
Present Value of Future District Benefits	\$533.7	\$460.5	15.9%
District Assets for Valuation Purposes	\$268.8	\$268.8	0.0%
Present Value of Future Employee Contributions	\$53.8	\$49.7	8.2%
Present Value of Future District Contributions	\$211.1	\$142.0	48.7%
Present Value of Future Salaries	\$757.9	\$703.7	7.7%
Market Value of District Assets	\$286.2	\$268.8	6.5%

**3. District Contribution Results**

	<u>Fiscal Year 2001</u>	<u>Fiscal Year 2000</u>	<u>Change</u>
Normal Contribution Rate	27.9%	20.2%	38.1%
Projected Payroll	\$63.2	\$57.1	10.7%
District Payment before \$1-784.2 Adjustment	\$17.6	\$11.5	53.0%
District Payment after \$1-784.2 Adjustment	\$17.3	\$11.5	50.4%



***Report of the Actuary to the D.C. Retirement Board  
for the Police Officers and Fire Fighters' Retirement Fund  
Valuation as of October 1, 1999***

**SUMMARY OF PRINCIPAL RESULTS**

*(Dollars in Millions)*

	<u>October 1, 1999</u>	<u>October 1, 1998</u>	<u>Change</u>
<b>1. Participant Data</b>			
Number of:			
Hired prior to February 15, 1980	737	882	-16.4%
Hired between Feb. 15, 1980 and Nov. 10, 1996	3,471	3,530	-1.7%
Hired on or after November 10, 1996	507	374	35.6%
<b>Total</b>	<b>4,715</b>	<b>4,786</b>	<b>-1.5%</b>
Retired Members and Beneficiaries			
Federal Responsibility	7,316	7,413	-1.3%
Joint (Federal & District) Responsibility	298	134	122.4%
<b>Total</b>	<b>7,614</b>	<b>7,547</b>	<b>0.9%</b>
Vested Terminated Members	0	0	NA
<b>Total Participants</b>	<b>12,329</b>	<b>12,333</b>	<b>-0.0%</b>
Annual Salaries of Active Members	\$221.3	\$204.5	8.2%
Annual Retirement Benefits for Retirees & Beneficiaries			
Federal Responsibility	\$248.0	\$237.5	4.4%
Joint (Federal & District) Responsibility	\$1.6	\$0.5	220.0%
<b>Total</b>	<b>\$249.6</b>	<b>\$238.0</b>	<b>4.9%</b>
<b>2. Assets and Liabilities</b>			
	<u>October 1, 1999</u>	<u>October 1, 1998</u>	<u>Change</u>
Present Value of Future District Benefits	\$1,867.3	\$1,615.4	15.6%
District Assets for Valuation Purposes	\$929.1	\$926.7	0.3%
Present Value of Future Employee Contributions	\$210.0	\$192.5	9.1%
Present Value of Future District Contributions	\$728.2	\$496.2	46.8%
Present Value of Future Salaries	\$2,948.6	\$2,717.5	8.5%
Market Value of District Assets	\$987.7	\$926.7	6.6%
<b>3. District Contribution Results</b>			
	<u>Fiscal Year 2001</u>	<u>Fiscal Year 2000</u>	<u>Change</u>
Normal Contribution Rate	24.7%	18.2%	35.7%
Projected Payroll	\$238.3	\$218.7	9.0%
District Payment before §1-784.2 Adjustment	\$58.9	\$39.9	47.6%
District Payment after §1-784.2 Adjustment	\$59.3	\$39.9	48.6%



## ***Section II   Assets and Liabilities***

---

In this section we present details regarding both the Assets and Liabilities of the Fund. In the following subsections, we will summarize the following:

- (a) the Current Value and Actuarial Value of District Assets;
- (b) the Distribution of the Actuarial Value of Assets between Individual Funds;
- (c) the Present Value of Future District Retirement Benefits; and
- (d) the Present Value of Accrued District Retirement Benefits



## **Current Value of District Assets**

In this subsection, we present details with regards to the **Current Value of District Assets**.

Table II-1 traces the increases and decreases in the Current Value of District Assets from October 1, 1998 through October 1, 1999. The allocation of benefit payments and investment income are approximations based on the most recent information available from the District of Columbia and the D.C. Retirement Board.

*Table II-1*

### **Current Value of Assets as of October 1, 1999**

(Dollars in Millions)

1.	Current Value of Assets as of October 1, 1998	\$1,387.7
2.	FY99 District Contributions	53.7
3.	FY99 Employee Contributions	36.4
4.	Estimated Reimbursement to U.S. Treasury for Benefits Paid	(2.3)
5.	FY99 Estimated Investment Earnings	239.1
6.	Current Value of Assets as of October 1, 1999	\$1,714.6



## **Actuarial Value of District Assets**

In this subsection, we present details with regards to the **Actuarial Value of District Assets**.

An actuarial value of assets is a "smoothed" value of assets. It should be based upon the market value of assets. It is the actuarial value, rather than market value, of assets that is used to determine the District contribution.

Since the annual District contribution is based on the difference between the present value of future benefits and assets plus the present value of future employee contributions, fluctuations in assets can cause similar fluctuations in annual contributions. The use of an actuarial value of assets can help reduce the effect of market fluctuations on the District contributions.

The current actuarial value of asset method was approved by the Board last year. The actuarial value of assets is the expected market value of assets (assuming a 7.25% rate of return) plus 1/3 of the difference between the expected and actual market value of assets. There is then a final adjustment made for the effect of the adjustment pursuant to §1-784.2(c) of the D.C. Code. This adjustment is explained in further detail in Section III of this report.

Table II-2 shows the development of the Actuarial Value of District Assets as of October 1, 1999.

*Table II-2*

### **Actuarial Value of Assets as of October 1, 1999**

**(Dollars in Millions)**

1.	Current Value of Assets as of October 1, 1998	\$1,387.7
2.	FY99 District Contributions	53.7
3.	FY99 Employee Contributions	36.4
4.	Estimated Reimbursement to U.S. Treasury for Benefits Paid	(2.3)
5.	FY99 Expected Investment Earnings @ 7.25%	105.8
6.	Expected Current Value of Assets as of October 1, 1999	\$1,581.3
7.	Actual Current Value of Assets as of October 1, 1999	\$1,714.6
8.	Smoothed Value of Assets as of October 1, 1999 [(2/3 x 6.) + (1/3 x 7.)]	\$1,625.7
9.	Present Value of §1-784.2(c) Adjustment	(5.6)
10.	Actuarial Value of Assets as of October 1, 1999 [(8.) + (9.)]	\$1,620.1





## **Distribution of the Actuarial Value of District Assets**

When Congress passed DCRPA '97 in August of 1997, the legislation stated the following:

*"...the Secretary shall designate assets with a value of \$1.275 billion that shall not be transferred from the District Retirement Fund..."*

The legislation gave no guidance, however, on how the \$1.275 billion was to be distributed between the Teacher and the Police/Fire retirement funds. As stated in our valuation for Fiscal Year 1999, the three purposes of the legislation were

- ♦ To relieve the District of the unfunded liabilities in the three retirement funds (\$4.8 billion as of October 1, 1996);
- ♦ To reduce District contributions to the Retirement Funds by at least \$250 million;
- ♦ To provide that the new District retirement plan be actuarially sound.

The legislation also provided that, until the Federal assets were transferred out of the Funds, the assets were officially under the jurisdiction of the U.S. Treasury. Therefore, the Board could not distribute the \$1.275 billion between the two retirement funds. However, as the actuary for the funds, we needed to distribute the assets in order to determine the District contribution for fiscal years 1999 and 2000. During the interim years, we distributed the \$1.275 billion in proportion to the Present Value of Future District Benefits (Option 1 below). It should be noted that this method was solely for the purpose of determining the District contribution and was not intended to represent the actual assets in each fund individually, though they did represent the TOTAL amount of District assets.

On April 30, 1999, the asset transfer to the U.S. Treasury occurred. In conjunction with the actuarial valuation, the Board was presented with four options for distributing the \$1.275 billion, all of which were consistent with the goals of the legislation listed above. The four options were:

- ♦ **Option 1: Distribute based on Total District Liability**

This method distributes the October 1, 1997 assets in proportion to the October 1, 1997 Present Value of Future District Benefits.

- ♦ **Option 2: Distribute based on Net District Liability**

This method is similar to Option 1, except that assets are distributed in proportion to the Present Value of Future District Benefits less the Present Value of Future Employee Contributions as of October 1, 1997.

- ♦ **Option 3: Distribute based on Projected Fiscal Year 1999 Contribution**

This method distributes the October 1, 1997 assets so that the actual Fiscal Year 1999 District payment to the Teachers' and Police/Fire Funds was in the same proportion as the projected District payment performed during the development of DCRPA '97.

- ♦ **Option 4: Distribute based on Historical Allocation**

This method distributes the assets so that the proportion of the assets in the Teachers' and Police/Fire Funds after the transfer to the U.S. Treasury is the same as the proportion of the assets before the transfer.

During the January 20, 2000 Board meeting, Option 4 was adopted.



## **Distribution of the Actuarial Value of District Assets (cont.)**

Note that the Board is required by law to certify to the Mayor a District payment in December, prior to when the discussion of the distribution of District assets could be completed. Therefore, we presented the Board with a certification based on the preliminary asset distribution.

Tables II-3 and II-4 on the following two pages illustrate the development of the distribution of the actuarial value of assets between Teachers, Police Officers, and Fire Fighters. Table II-3 develops the distribution of the current value of assets, which is used to subsequently determine the distribution of the actuarial value of assets, which is shown in Table II-4.

The fiscal year 1999 employee and District contributions were provided by the Board for all three classes of employees. However, these contributions were not split between police officers and fire fighters. We allocated the employee contributions between police officers and fire fighters based on payroll. The allocation of the fiscal year 1999 Police/Fire District contribution of \$35.1 million was provided by the District.

With regards to allocating fiscal year 1998 and 1999 benefit payments, participants who retired after the freeze date of June 30, 1997 have benefits which are partly the responsibility of the District of Columbia. Benefit payments attributable to the District of Columbia were estimated based on our understanding of the legislation. It is also our understanding that the District will reimburse the U.S. Treasury for their payments to District annuitants while benefit splits are being determined.

Finally, for the purpose of determining the preliminary Current Value of Assets, the investment income for the periods October 1, 1998 through September 30, 1999 was derived for the fund in total. Investment earnings were allocated so that each fund received approximately the same rate of return, factoring in the net cash flows. Small differences in the rate of return occur because of rounding.



Table II-3

### Distribution of the Current Value of District Assets as of October 1, 1999

(Dollars in Millions)

	Teachers Fund	Police	Fire	Police/ Fire Fund	Total
1. Distribution of the Current Value of Assets as of October 1, 1998	\$461.0	\$657.9	\$268.8	\$926.7	\$1,387.7
2. FY99 District Contributions	18.6	24.6	10.5	35.1	53.7
3. FY99 Employee Contributions <sup>1</sup>	20.8	11.5	4.1	15.6	36.4
4. FY99 Estimated Benefit Payments	(0.7)	(0.4)	(1.2)	(1.6)	(2.3)
5. FY99 Estimated Investment Earnings	80.3	112.8	46.0	158.8	239.1
6. Preliminary Distribution of the Current Value of Assets as of October 1, 1999 <sup>2</sup>	\$580.0	\$806.4	\$328.2	\$1,134.6	\$1,714.6
7. Final Distribution of the Current Value of Assets as of October 1, 1999 <sup>2</sup>	\$726.9	\$701.5	\$286.2	\$987.7	\$1,714.6
8. Approximate Rate of Return	16.4%	16.4%	16.4%	16.4%	16.4%

<sup>1</sup> The employee contributions for police officers and fire fighters were allocated based on their valuation earnings.

<sup>2</sup> The preliminary distribution of assets was based on an interim method of distributing the \$1.275 billion between the Teachers' and Police/Fire retirement funds. This interim method was based on distributing the October 1, 1997 assets based on the Present Value of Future District Benefits as of October 1, 1997 (Option 1 on page II-4). The final distribution of assets reflects the Retirement Board's decision to distribute the October 1, 1999 assets in proportion to the Historical allocation. The difference between the preliminary and final assets does not represent a transfer of assets, but rather an adjustment to past practice to be consistent with the Board's decision. Refer to page II-4 for more details.



Table II-4

### Distribution of the Actuarial Value of District Assets as of October 1, 1999

(Dollars in Millions)

	Teachers Fund	Police	Fire	Police/ Fire Fund	Total
1. Distribution of the Current Value of Assets as of October 1, 1998	\$461.0	\$657.9	\$268.8	\$926.7	\$1,387.7
2. FY99 District Contributions	18.6	24.6	10.5	35.1	53.7
3. FY99 Employee Contributions <sup>1</sup>	20.8	11.5	4.1	15.6	36.4
4. FY99 Estimated Benefit Payments	(0.7)	(0.4)	(1.2)	(1.6)	(2.3)
5. FY99 Expected Investment Earnings	35.5	49.9	20.4	70.3	105.8
6. Expected Market Value of Assets as of October 1, 1999	\$535.2	\$743.5	\$302.6	\$1,046.1	\$1,581.3
7. Preliminary Distribution of the Current Value of Assets as of October 1, 1999	\$580.0	\$806.4	\$328.2	\$1,134.6	\$1,714.6
8. Smoothed Value of Assets as of October 1, 1999 $[2/3 \times (6.) + 1/3 \times (7.)]$	\$550.1	\$764.5	\$311.1	\$1,075.6	\$1,625.7
9. Present Value of §1-784.2(c) Adjustment	(\$6.0)	\$0.7	(\$0.3)	\$0.4	(\$5.6)
10. Preliminary Distribution of the Actuarial Value of Assets as of October 1, 1999 <sup>2</sup> $[(8.) + (9.)]$	\$544.1	\$765.2	\$310.8	\$1,076.0	\$1,620.1
11. Final Distribution of the Actuarial Value of Assets as of October 1, 1999 <sup>2</sup>	\$691.0	\$660.3	\$268.8	\$929.1	\$1,620.1

<sup>1</sup> The employee contributions for police officers and fire fighters were allocated based on their valuation earnings.

<sup>2</sup> The preliminary distribution of assets was based on an interim method of distributing the \$1.275 billion between the Teachers' and Police/Fire retirement funds. This interim method was based on distributing the October 1, 1997 assets based on the Present Value of Future District Benefits as of October 1, 1997 (Option 1 on page II-4). The final distribution of assets reflects the Retirement Board's decision to distribute the October 1, 1999 assets in proportion to the Historical allocation. The difference between the preliminary and final assets does not represent a transfer of assets, but rather an adjustment to past practice to be consistent with the Board's decision. Refer to page II-4 for more details.



## **Present Value of Future District Retirement Benefits**

In this subsection, we detail the calculation of the present value of future District benefits. This calculation is necessary for developing the fiscal year 2001 District payment.

**The present value of future benefits** represents the total lump sum value on the valuation date which would be sufficient to pay for all future benefits of current members (including inactive members) considering expected future salary increases, service credits, employment termination, and mortality.

Pursuant to DCRPA '97, the federal government becomes responsible for benefits attributable to service prior to June 30, 1997 including any increase in benefits attributable to future pay increases. The value of these benefits is referred to as the **present value of future Federal benefits**.

The difference between the present value of future benefits and the total present value of future Federal benefits is referred to as the **present value of future District benefits**.

*Table II-5*

### **Present Value of Future District Benefits as of October 1, 1999**

(Dollars in Millions)

	<b>Teachers Fund</b>	<b>Police</b>	<b>Fire</b>	<b>Police/ Fire Fund</b>	<b>Total</b>
1. Present Value of Future Benefits	\$3,873.9	\$5,431.7	\$2,074.4	\$7,506.1	\$11,380.0
2. Present Value of Future Federal Benefits	\$3,071.4	\$4,098.1	\$1,540.7	\$5,638.8	\$8,710.2
3. Present Value of Future District Benefits (1. - 2.)	\$802.5	\$1,333.6	\$533.7	\$1,867.3	\$2,669.8

<sup>1</sup> For the purpose of calculating the Present Value of Future District benefits, the present value of Future Federal Benefits is calculated using the assumptions approved by the District of Columbia Retirement Board, as described in Appendix B.



## **Present Value of Accrued District Retirement Benefits**

In Table II-6, we disclose the accumulated liability of the Fund if everyone stopped working or if the programs were terminated.

**The present value of accrued benefits** represents the total lump sum value on the valuation date which would be sufficient to pay for all benefit accrued to the valuation date.

We have one comment on the present value of accrued benefits. The fact that plan assets exceed these liabilities does not constitute "overfunding". Under the funding method employed by the plan (and by most public sector plans), liabilities accruing each year are not paid for as earned in that year. Rather, benefits are funded in a way as to maintain a level funding pattern (as a percent of pay) between the valuation date and retirement date. Therefore, assets are expected to exceed liabilities accrued to date early in a member's career in order to avoid a dramatic escalation in costs for benefits earned late in a member's career (when age and salary are highest).

*Table II-6*

### **Present Value of Accrued District Benefits as of October 1, 1999**

(Dollars in Millions)

	<b>Teachers Fund</b>	<b>Police</b>	<b>Fire</b>	<b>Police/ Fire Fund</b>	<b>Total</b>
1. Present Value of Accrued District Benefits as of October 1, 1999	\$123.2	\$237.3	\$113.4	\$350.7	\$473.9
2. Actuarial Value of Assets as of as of October 1, 1999 (Table II-4)	\$691.0	\$660.3	\$268.8	\$929.1	\$1,620.1
3. Unfunded Present Value of Accrued District Benefits (1. - 2., not less than zero)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0



### ***Section III Contributions***

---

In this section, we develop the fiscal year 2001 District payment. The normal contribution rate developed is a percentage of active member payroll. The dollar amount of the District payment is determined by applying the contribution rate to the projected payroll for fiscal year 2001.

An actuarially sound funding method is designed so that the benefits of the current workforce will be completely paid for (i.e. funded) by the time they leave employment due to retirement, disability, death, withdrawal, etc. The first step in this process is to determine the present value, as of the valuation date, of all future benefits payable from the retirement funds. In the District's case, this figure is the **present value of future District benefits** developed in Table II-5.

The present value of future District benefits will be funded from three sources: assets, future employee contributions, and future District contributions. The assets, of course, are known as of the valuation date. For these purposes, actuaries commonly use an **actuarial value of assets**.

An actuarial value of assets is a "smoothed market value" and is used to keep the contribution rate from fluctuating due to sudden upswings or downturns in the financial markets. As mentioned earlier in this report, the Board has elected to use an actuarial value of asset method for determining the fiscal year 2001 District contribution.

The second source for paying future benefits is current employee contributions. These are specified as a fixed percentage of future pay (7% or 8%, depending upon hire date). Future District contributions must make up any difference between the future District benefits and the actuarial value of assets plus future employee contributions. Thus, the **present value of future District contributions** is the present value of future District benefits less the actuarial value of assets less the present value of future employee contributions.

The future District contributions are spread over future payroll of the workforce to determine the **normal contribution rate**. The District contribution applicable to the fiscal year is the normal contribution rate times the projected payroll.

Finally, the District payment, for the first time, reflects the adjustment pursuant to §1-784.2(c) of the D.C. Code. Further explanation of this adjustment can be found on page III-3.



## Development of the Fiscal Year 2001 District Payment

Table III-1 shows the development of the fiscal year 2001 District payment that was certified during the December 1999 Board meeting. At the time of the certification, the distribution of assets was based on a preliminary actuarial value of assets.

Table III-1

<b>District of Columbia Certified Fiscal Year 2001 Payment</b> (Dollars in Millions)					
	Teachers Fund	Police	Fire	Police/ Fire Fund	Total
1. Present Value of Future District Benefits	\$802.5	\$1,333.6	\$533.7	\$1,867.3	\$2,669.8
2. Preliminary Distribution of the Actuarial Value of Assets	\$544.1	\$765.2	\$310.8	\$1,076.0	\$1,620.1
3. Present Value of Future Employee Contributions	\$196.7	\$156.2	\$53.8	\$210.0	\$406.7
4. Present Value of Future Normal Costs [ (1) - (2) - (3), not less than \$0 ]	\$61.7	\$412.2	\$169.1	\$581.3	NA
5. Present Value of Future Payroll	\$2,732.9	\$2,190.7	\$757.9	\$2,948.6	NA
6. Normal Contribution Rate [(4) / (5)]	2.3%	18.8%	22.3%	19.7%	10.1%
7. Projected FY 2001 Payroll	\$291.4	\$175.1	\$63.2	\$238.3	\$529.7
8. FY 2001 District Payment before §1-784.2(c) [(6)x(7)]	\$6.6	\$32.9	\$14.1	\$47.0	\$53.6
9. D.C. Code §1-784.2(c) Adjustment	(\$6.4)	\$0.7	(\$0.3)	\$0.4	NA
10. FY 2001 District Payment [(8)+(9), not less than \$0]	\$0.2	\$33.6	\$13.8	\$47.4	\$47.6

Table III-2 shows the development of the fiscal year 2001 District payment which reflects the Board's January 20, 2000 decision to distribute assets based on the historical distribution.

Table III-2

<b>District of Columbia Revised Fiscal Year 2001 Payment</b> (Dollars in Millions)					
	Teachers Fund	Police	Fire	Police/ Fire Fund	Total
1. Present Value of Future District Benefits	\$802.5	\$1,333.6	\$533.7	\$1,867.3	\$2,669.8
2. Final Distribution of the Actuarial Value of Assets	\$691.0	\$660.3	\$268.8	\$929.1	\$1,620.1
3. Present Value of Future Employee Contributions	\$196.7	\$156.2	\$53.8	\$210.0	\$406.7
4. Present Value of Future Normal Costs [ (1) - (2) - (3), not less than \$0 ]	\$0.0	\$517.1	\$211.1	\$728.2	NA
5. Present Value of Future Payroll	\$2,732.9	\$2,190.7	\$757.9	\$2,948.6	NA
6. Normal Contribution Rate [(4) / (5)]	0.0%	23.6%	27.9%	24.7%	11.1%
7. Projected FY 2001 Payroll	\$291.4	\$175.1	\$63.2	\$238.3	\$529.7
8. FY 2001 District Payment before §1-784.2(c) [(6)x(7)]	\$0.0	\$41.3	\$17.6	\$58.9	\$58.9
9. D.C. Code §1-784.2(c) Adjustment	(\$6.4)	\$0.7	(\$0.3)	\$0.4	NA
10. FY 2001 District Payment [(8)+(9), not less than \$0]	\$0.0	\$42.0	\$17.3	\$59.3	\$59.3

The changes in the above table will be reflected in the D.C. Code §1-784.2(c) adjustment for fiscal year 2003.





### §1-784.2(c) Adjustment to the Fiscal Year 2001 District Payment

Beginning in fiscal year 2001, the District payment was adjusted pursuant to §1-784.2(c) of the D.C. Code. This section stipulates that "... the enrolled actuary shall determine whether the amount appropriated for the applicable fiscal year resulted in an overpayment or a shortfall based upon the actual covered payroll."

The §1-784.2(c) adjustment to the fiscal year 2001 District payment is calculated by taking the actual fiscal year 1999 covered payroll for each employee class (which is provided by the District) and then multiplying by the fiscal year 1999 normal contribution rate for each employee class, which were certified in our October 1, 1997 report. This result gives the fiscal year 1999 contribution that was **required** to be made by the District. The required contribution is then compared to the fiscal year 1999 contribution that was **actually paid** by the District. The difference between the required and actual contributions is the §1-784.2(c) adjustment. A negative difference translates to a District overpayment, while a positive difference translates to a District contribution shortfall.

Table III-3 shows the development of the §1-784.2(c) adjustment for each employee class.

Table III-3

<b>District of Columbia D.C. Code §1-784.2(c) Adjustment to the FY 2001 Payment</b>				
<b>(Dollars in Millions)</b>				
	<b>Teachers Fund</b>	<b>Police</b>	<b>Fire</b>	<b>Police/ Fire Fund</b>
1. Actual FY 1999 Covered Payroll	\$264.8	\$159.1	\$54.4	\$213.5
2. FY 1999 Normal Contribution Rate	4.6%	15.9%	18.7%	16.6%
3. Actual FY 1999 Contribution Required	\$12.2	\$25.3	\$10.2	\$35.5
4. Actual FY 1999 Contribution Paid	\$18.6	\$24.6	\$10.5	\$35.1
5. §1-784.2(c) Adjustment to FY 2001 Payment	(\$6.4)	\$0.7	(\$0.3)	\$0.4



## ***Appendices***

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Appendix A	Membership Data and Profile
Appendix B	Actuarial Assumptions and Procedures
Appendix C	Summary of the Provisions of the Programs
Appendix D	GASB Disclosures



## ***Appendix A - Membership Data and Profile***

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The District of Columbia provided the actuary with membership data as of June 30, 1999. Assumptions were made on elements missing from the data provided.

In this Appendix, we present a review of the current membership statistics. Section A presents the program performance data. Section B summarizes key active membership statistics. Section C contains the assumptions made for the various components of the data.



## **A. Retired Membership Statistics (as of June 30, 1999)**

### **Average Annuity by Retirement Type: Total Benefits**

	<b>Teachers</b>	<b>Police</b>	<b>Fire</b>
Number of Service Retirements	4,134	3,023	884
Average Service Annuity	\$31,440	\$36,081	\$43,692
Number of Disability Retirements	539	1,427	625
Average Disability Annuity	\$22,656	\$33,260	\$37,927
Number of Survivors	425	1,164	491
Average Survivor Annuity	\$13,507	\$17,825	\$20,334

### **Average Annuity by Retirement Type: Federal Benefits<sup>1</sup>**

	<b>Teachers</b>	<b>Police</b>	<b>Fire</b>
Number of Service Retirements	4,134	3,023	884
Average Service Annuity	\$31,352	\$35,982	\$43,633
Number of Disability Retirements	539	1,427	625
Average Disability Annuity	\$21,876	\$32,925	\$36,472
Number of Survivors	425	1,164	491
Average Survivor Annuity	\$13,507	\$17,825	\$20,334

<sup>1</sup> Includes participants who are the responsibility of both the Federal and District governments.

### **Average Annuity by Retirement Type: Joint Federal & District Benefits**

	<b>Teachers</b>	<b>Police</b>	<b>Fire</b>
Number of Service Retirements	331	186	27
Average District Service Annuity	\$1,099	\$1,612	\$1,936
Average Federal Service Annuity	\$31,263	\$38,708	\$48,429
Number of Disability Retirements	19	45	40
Average District Disability Annuity	\$22,139	\$10,616	\$22,728
Average Federal Disability Annuity	\$584	\$18,285	\$15,870
Number of Survivors	0	0	0
Average District Survivor Annuity	\$0	\$0	\$0
Average Federal Survivor Annuity	\$0	\$0	\$0



**B. Active Membership Statistics (as of June 30, 1999)**

<b><u>Employee Class</u></b>	<b><u>Average Age</u></b>	<b><u>Average Service</u></b>	<b><u>Average Salary</u></b>
Teachers	47.2	16.5	\$45,900
Police	36.6	11.7	\$47,900
Fire	38.3	12.9	\$48,700



## **C. Data Assumptions**

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The following assumptions were made with respect to information provided by the District of Columbia:

(a) **Active Members**

Data for active members was predominantly used as provided by the District. No active police officers or fire fighters were eliminated from the data. Thirteen teachers were eliminated because their information was not valid.

(b) **Former Members**

The data submitted for former members included participants who have withdrawn their contributions and are no longer entitled to a deferred benefit. After further investigation and consultation with staff members of the Board, we have made the following assumptions regarding former Members:

***Teachers***

An examination of a little more than one-third of the records of former teachers on file yielded nine teachers who are entitled to a deferred benefit. Consequently, we have assumed that there are 25 teachers with deferred vested benefits, all females age 50 with fifteen years of service and a final salary of \$48,720.

***Police/Fire***

Since practically all police officers and fire fighters withdraw their contributions if they terminate prior to retirement, we have assumed that there are no police officers or fire fighters with a deferred vested benefit.

(c) **Retired Members**

All retired members whose sex was not on file were designated by the letter C. These retirees were assumed to be all male (with female spouses) for the police officers and fire fighters' program and assumed to be all female (with male spouses) for the teachers' program. The date of retirement appears to be given in the date of entry-of-duty field, the field where date of hire is given for active members. Members are assumed to have recovered all contributions if they have been receiving benefits for more than 3 years (teachers) or 2 years (police/fire).



**DISTRICT OF COLUMBIA RETIREMENT BOARD  
TEACHERS' RETIREMENT FUND**

**SCHEDULE OF ACTIVE PARTICIPANTS HIRED BEFORE NOVEMBER 16, 1996**

	YEARS OF SERVICE									Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	Over 40	
Under 20	0	0	0	0	0	0	0	0	0	0
20 to 24	2	0	0	0	0	0	0	0	0	2
25 to 29	81	51	3	0	0	0	0	0	0	135
30 to 34	76	173	34	0	0	0	0	0	0	283
35 to 39	39	109	161	15	0	0	0	0	0	324
40 to 44	36	115	223	103	43	5	0	0	0	525
45 to 49	34	104	251	130	138	152	8	0	0	817
50 to 54	21	83	178	107	133	472	365	8	0	1,367
55 to 59	10	55	106	49	55	153	524	52	0	1,004
60 to 64	5	24	38	27	26	43	116	67	15	361
Over 65	0	13	11	15	5	11	41	21	32	149
Total	304	727	1,005	446	400	836	1,054	148	47	4,967

**SCHEDULE OF ACTIVE PARTICIPANTS HIRED ON OR AFTER NOVEMBER 16, 1996**

	YEARS OF SERVICE									Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	Over 40	
Under 20	0	0	0	0	0	0	0	0	0	0
20 to 24	111	0	0	0	0	0	0	0	0	111
25 to 29	312	0	0	0	0	0	0	0	0	312
30 to 34	164	0	0	0	0	0	0	0	0	164
35 to 39	112	0	0	0	0	0	0	0	0	112
40 to 44	86	0	0	0	0	0	0	0	0	86
45 to 49	107	0	0	0	0	0	0	0	0	107
50 to 54	105	0	0	0	0	0	0	0	0	105
55 to 59	56	0	0	0	0	0	0	0	0	56
60 to 64	17	0	0	0	0	0	0	0	0	17
Over 65	9	0	0	0	0	0	0	0	0	9
Total	1,079	0	0	0	0	0	0	0	0	1,079

**SCHEDULE OF ALL ACTIVE PARTICIPANTS**

	YEARS OF SERVICE									Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	Over 40	
Under 20	0	0	0	0	0	0	0	0	0	0
20 to 24	113	0	0	0	0	0	0	0	0	113
25 to 29	393	51	3	0	0	0	0	0	0	447
30 to 34	240	173	34	0	0	0	0	0	0	447
35 to 39	151	109	161	15	0	0	0	0	0	436
40 to 44	122	115	223	103	43	5	0	0	0	611
45 to 49	141	104	251	130	138	152	8	0	0	924
50 to 54	126	83	178	107	133	472	365	8	0	1,472
55 to 59	66	55	106	49	55	153	524	52	0	1,060
60 to 64	22	24	38	27	26	43	116	67	15	378
Over 65	9	13	11	15	5	11	41	21	32	158
Total	1,383	727	1,005	446	400	836	1,054	148	47	6,046



**DISTRICT OF COLUMBIA RETIREMENT BOARD  
TEACHERS' RETIREMENT FUND**

***SCHEDULE OF AVERAGE SALARIES FOR ACTIVES HIRED BEFORE NOVEMBER 16, 1996***

	YEARS OF SERVICE								
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	Over 40
Under 20	0	0	0	0	0	0	0	0	0
20 to 24	28,855	0	0	0	0	0	0	0	0
25 to 29	30,720	32,566	30,570	0	0	0	0	0	0
30 to 34	32,098	34,368	38,437	0	0	0	0	0	0
35 to 39	33,191	37,409	42,660	43,476	0	0	0	0	0
40 to 44	34,355	38,650	45,311	48,690	50,800	51,426	0	0	0
45 to 49	36,873	40,115	48,259	51,151	53,701	53,129	54,836	0	0
50 to 54	37,989	42,593	48,184	51,505	52,915	54,027	54,807	56,153	0
55 to 59	36,334	44,684	49,138	51,016	51,244	53,554	54,462	57,264	0
60 to 64	34,546	44,514	51,107	49,762	54,670	52,658	52,645	56,662	58,543
Over 65	0	42,819	44,521	52,662	53,374	53,959	54,716	56,405	57,426

***SCHEDULE OF AVERAGE SALARIES FOR ACTIVES HIRED ON OR AFTER NOVEMBER 16, 1996***

	YEARS OF SERVICE								
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	Over 40
Under 20	0	0	0	0	0	0	0	0	0
20 to 24	27,665	0	0	0	0	0	0	0	0
25 to 29	29,133	0	0	0	0	0	0	0	0
30 to 34	31,220	0	0	0	0	0	0	0	0
35 to 39	34,051	0	0	0	0	0	0	0	0
40 to 44	35,962	0	0	0	0	0	0	0	0
45 to 49	35,847	0	0	0	0	0	0	0	0
50 to 54	39,230	0	0	0	0	0	0	0	0
55 to 59	46,870	0	0	0	0	0	0	0	0
60 to 64	40,157	0	0	0	0	0	0	0	0
Over 65	42,034	0	0	0	0	0	0	0	0





**DISTRICT OF COLUMBIA RETIREMENT BOARD  
POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND**

**SCHEDULE OF ACTIVE POLICE OFFICERS HIRED BEFORE NOVEMBER 10, 1996**

	YEARS OF SERVICE									
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	Over 40	Total
Under 20	0	0	0	0	0	0	0	0	0	0
20 to 24	1	4	0	0	0	0	0	0	0	5
25 to 29	15	166	18	0	0	0	0	0	0	199
30 to 34	10	539	363	1	0	0	0	0	0	913
35 to 39	3	247	566	105	0	0	0	0	0	921
40 to 44	0	59	159	220	57	15	0	0	0	510
45 to 49	0	1	7	81	93	137	13	0	0	332
50 to 54	0	1	0	5	14	70	56	0	0	146
55 to 59	0	0	0	0	0	14	18	2	0	34
60 to 64	1	0	0	0	0	0	4	2	0	7
Over 65	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>30</b>	<b>1,017</b>	<b>1,113</b>	<b>412</b>	<b>164</b>	<b>236</b>	<b>91</b>	<b>4</b>	<b>0</b>	<b>3,067</b>

**SCHEDULE OF ACTIVE POLICE OFFICERS HIRED ON OR AFTER NOVEMBER 10, 1996**

	YEARS OF SERVICE									
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	Over 40	Total
Under 20	0	0	0	0	0	0	0	0	0	0
20 to 24	60	0	0	0	0	0	0	0	0	60
25 to 29	217	0	0	0	0	0	0	0	0	217
30 to 34	90	0	0	0	0	0	0	0	0	90
35 to 39	30	0	0	0	0	0	0	0	0	30
40 to 44	10	0	0	0	0	0	0	0	0	10
45 to 49	2	0	0	0	0	0	0	0	0	2
50 to 54	3	0	0	0	0	0	0	0	0	3
55 to 59	0	0	0	0	0	0	0	0	0	0
60 to 64	0	0	0	0	0	0	0	0	0	0
Over 65	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>412</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>412</b>

**SCHEDULE OF ALL ACTIVE POLICE OFFICERS**

	YEARS OF SERVICE									
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	Over 40	Total
Under 20	0	0	0	0	0	0	0	0	0	0
20 to 24	61	4	0	0	0	0	0	0	0	65
25 to 29	232	166	18	0	0	0	0	0	0	416
30 to 34	100	539	363	1	0	0	0	0	0	1,003
35 to 39	33	247	566	105	0	0	0	0	0	951
40 to 44	10	59	159	220	57	15	0	0	0	520
45 to 49	2	1	7	81	93	137	13	0	0	334
50 to 54	3	1	0	5	14	70	56	0	0	149
55 to 59	0	0	0	0	0	14	18	2	0	34
60 to 64	1	0	0	0	0	0	4	2	0	7
Over 65	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>442</b>	<b>1,017</b>	<b>1,113</b>	<b>412</b>	<b>164</b>	<b>236</b>	<b>91</b>	<b>4</b>	<b>0</b>	<b>3,479</b>



**DISTRICT OF COLUMBIA RETIREMENT BOARD  
POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND**

**SCHEDULE OF AVERAGE SALARIES  
FOR ACTIVE POLICE OFFICERS HIRED BEFORE NOVEMBER 10, 1996**

	YEARS OF SERVICE								
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	Over 40
Under 20	0	0	0	0	0	0	0	0	0
20 to 24	40,879	40,879	0	0	0	0	0	0	0
25 to 29	39,718	42,717	45,214	0	0	0	0	0	0
30 to 34	41,402	44,964	46,143	45,071	0	0	0	0	0
35 to 39	39,582	45,392	47,480	52,862	0	0	0	0	0
40 to 44	0	44,828	48,243	54,056	63,534	59,022	0	0	0
45 to 49	0	35,585	52,090	53,844	62,902	61,198	58,223	0	0
50 to 54	0	40,879	0	57,017	60,488	61,999	60,158	0	0
55 to 59	0	0	0	0	0	60,823	59,986	59,528	0
60 to 64	37,080	0	0	0	0	0	66,781	66,544	0
Over 65	0	0	0	0	0	0	0	0	0

**SCHEDULE OF AVERAGE SALARIES  
FOR ACTIVE POLICE OFFICERS HIRED ON OR AFTER NOVEMBER 10, 1996**

	YEARS OF SERVICE								
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	Over 40
Under 20	0	0	0	0	0	0	0	0	0
20 to 24	34,989	0	0	0	0	0	0	0	0
25 to 29	36,226	0	0	0	0	0	0	0	0
30 to 34	37,019	0	0	0	0	0	0	0	0
35 to 39	36,668	0	0	0	0	0	0	0	0
40 to 44	37,408	0	0	0	0	0	0	0	0
45 to 49	45,553	0	0	0	0	0	0	0	0
50 to 54	67,004	0	0	0	0	0	0	0	0
55 to 59	0	0	0	0	0	0	0	0	0
60 to 64	0	0	0	0	0	0	0	0	0
Over 65	0	0	0	0	0	0	0	0	0



**DISTRICT OF COLUMBIA RETIREMENT BOARD  
POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND**

**SCHEDULE OF ACTIVE FIRE FIGHTERS HIRED BEFORE NOVEMBER 10, 1996**

YEARS OF SERVICE										Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	Over 40	
Under 20	0	0	0	0	0	0	0	0	0	0
20 to 24	0	0	0	0	0	0	0	0	0	0
25 to 29	12	82	29	0	0	0	0	0	0	123
30 to 34	45	130	60	0	0	0	0	0	0	235
35 to 39	25	72	145	27	0	0	0	0	0	269
40 to 44	3	2	97	126	48	1	0	0	0	277
45 to 49	1	2	2	33	58	57	0	0	0	153
50 to 54	1	1	0	0	3	46	16	0	0	67
55 to 59	0	1	0	0	0	5	8	1	0	15
60 to 64	0	0	1	0	0	0	0	0	0	1
Over 65	0	0	0	0	0	0	0	1	0	1
<b>Total</b>	<b>87</b>	<b>290</b>	<b>334</b>	<b>186</b>	<b>109</b>	<b>109</b>	<b>24</b>	<b>2</b>	<b>0</b>	<b>1,141</b>

**SCHEDULE OF ACTIVE FIRE FIGHTERS HIRED ON OR AFTER NOVEMBER 10, 1996**

YEARS OF SERVICE										Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	Over 40	
Under 20	0	0	0	0	0	0	0	0	0	0
20 to 24	0	0	0	0	0	0	0	0	0	0
25 to 29	9	0	0	0	0	0	0	0	0	9
30 to 34	43	0	0	0	0	0	0	0	0	43
35 to 39	34	0	0	0	0	0	0	0	0	34
40 to 44	6	0	0	0	0	0	0	0	0	6
45 to 49	2	0	0	0	0	0	0	0	0	2
50 to 54	1	0	0	0	0	0	0	0	0	1
55 to 59	0	0	0	0	0	0	0	0	0	0
60 to 64	0	0	0	0	0	0	0	0	0	0
Over 65	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>95</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>95</b>

**SCHEDULE OF ALL ACTIVE FIRE FIGHTERS**

YEARS OF SERVICE										Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	Over 40	
Under 20	0	0	0	0	0	0	0	0	0	0
20 to 24	0	0	0	0	0	0	0	0	0	0
25 to 29	21	82	29	0	0	0	0	0	0	132
30 to 34	88	130	60	0	0	0	0	0	0	278
35 to 39	59	72	145	27	0	0	0	0	0	303
40 to 44	9	2	97	126	48	1	0	0	0	283
45 to 49	3	2	2	33	58	57	0	0	0	155
50 to 54	2	1	0	0	3	46	16	0	0	68
55 to 59	0	1	0	0	0	5	8	1	0	15
60 to 64	0	0	1	0	0	0	0	0	0	1
Over 65	0	0	0	0	0	0	0	1	0	1
<b>Total</b>	<b>182</b>	<b>290</b>	<b>334</b>	<b>186</b>	<b>109</b>	<b>109</b>	<b>24</b>	<b>2</b>	<b>0</b>	<b>1,236</b>



**DISTRICT OF COLUMBIA RETIREMENT BOARD  
POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND**

**SCHEDULE OF AVERAGE SALARIES  
FOR ACTIVE FIRE FIGHTERS HIRED BEFORE NOVEMBER 10, 1996**

	YEARS OF SERVICE								
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	Over 40
Under 20	0	0	0	0	0	0	0	0	0
20 to 24	0	0	0	0	0	0	0	0	0
25 to 29	38,703	38,604	41,257	0	0	0	0	0	0
30 to 34	37,587	39,828	42,564	0	0	0	0	0	0
35 to 39	38,090	40,071	46,513	55,701	0	0	0	0	0
40 to 44	45,709	57,249	46,652	53,410	62,995	52,808	0	0	0
45 to 49	49,257	61,909	47,627	52,409	62,839	65,562	0	0	0
50 to 54	49,257	48,007	0	0	69,465	68,901	80,321	0	0
55 to 59	0	32,436	0	0	0	78,685	94,459	89,626	0
60 to 64	0	0	43,465	0	0	0	0	0	0
Over 65	0	0	0	0	0	0	0	56,458	0

**SCHEDULE OF AVERAGE SALARIES  
FOR ACTIVE FIRE FIGHTERS HIRED ON OR AFTER NOVEMBER 10, 1996**

	YEARS OF SERVICE								
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	Over 40
Under 20	0	0	0	0	0	0	0	0	0
20 to 24	0	0	0	0	0	0	0	0	0
25 to 29	35,175	0	0	0	0	0	0	0	0
30 to 34	35,158	0	0	0	0	0	0	0	0
35 to 39	36,556	0	0	0	0	0	0	0	0
40 to 44	53,793	0	0	0	0	0	0	0	0
45 to 49	54,496	0	0	0	0	0	0	0	0
50 to 54	221,304	0	0	0	0	0	0	0	0
55 to 59	0	0	0	0	0	0	0	0	0
60 to 64	0	0	0	0	0	0	0	0	0
Over 65	0	0	0	0	0	0	0	0	0



**DISTRICT OF COLUMBIA RETIREMENT BOARD  
TEACHERS' RETIREMENT FUND**

**AGE-BENEFIT DISTRIBUTION**

***BENEFITS PAYABLE IN TOTAL***

<b>Age</b>	<b>Count</b>	<b>Annual Benefits</b>	<b>Age</b>	<b>Count</b>	<b>Annual Benefits</b>
Under 24	48	\$102,456	69	199	5,911,608
25	0	0	70	196	5,526,648
26	1	1,020	71	149	4,048,320
27	0	0	72	158	4,515,984
28	0	0	73	183	5,181,276
29	2	5,340	74	137	\$3,766,212
30	1	1,368	75	135	3,728,352
31	2	42,156	76	129	3,451,692
32	1	35,076	77	149	4,292,496
33	0	0	78	127	3,584,436
34	1	1,368	79	123	3,681,276
35	1	33,624	80	110	3,177,840
36	0	0	81	83	2,436,060
37	1	30,000	82	117	3,423,264
38	4	56,784	83	91	2,644,164
39	2	55,560	84	94	2,852,928
40	2	21,120	85	81	2,268,732
41	1	4,536	86	70	2,204,784
42	1	13,224	87	72	2,232,576
43	6	59,148	88	67	2,121,744
44	5	33,576	89	56	1,760,568
45	0	0	90	43	1,436,316
46	1	14,880	91	48	1,508,508
47	5	104,796	92	53	1,900,320
48	5	66,192	93	34	1,207,980
49	11	122,184	94	25	928,680
50	10	188,580	95	26	889,080
51	18	379,644	96	17	594,228
52	25	464,388	97	14	447,864
53	50	1,107,204	98	7	287,136
54	32	691,428	99	5	182,028
55	51	1,189,548	100 & Over	17	540,972
56	91	2,492,760			
57	124	3,544,632			
58	118	3,517,308			
59	119	3,560,457			
60	113	3,526,116			
61	151	4,747,188			
62	156	4,917,336			
63	173	5,288,988			
64	184	5,797,980			
65	184	5,485,128			
66	197	6,320,184			
67	184	5,524,440			
68	202	5,643,132			
		<b>Totals:</b>	<b>5,098</b>		<b>\$147,924,921</b>



**DISTRICT OF COLUMBIA RETIREMENT BOARD  
TEACHERS' RETIREMENT FUND**

**AGE-BENEFIT DISTRIBUTION**

***BENEFITS PAYABLE BY THE DISTRICT OF COLUMBIA***

<b>Age</b>	<b>Count</b>	<b>Annual Benefits</b>	<b>Age</b>	<b>Count</b>	<b>Annual Benefits</b>
Under 24	0	\$0	49	2	\$27,074
25	0	0	50	5	\$44,921
26	0	0	51	6	\$65,073
27	0	0	52	6	\$70,766
28	0	0	53	11	\$10,626
29	0	0	54	6	\$47,541
30	0	0	55	18	90,244
31	0	0	56	43	78,297
32	0	0	57	55	76,835
33	0	0	58	36	35,834
34	0	0	59	30	58,814
35	0	0	60	21	41,444
36	0	0	61	27	30,026
37	0	0	62	19	17,079
38	0	0	63	19	24,310
39	0	0	64	8	7,250
40	0	0	65	6	5,119
41	0	0	66	7	8,004
42	0	0	67	8	6,644
43	0	0	68	4	4,386
44	0	0	69	4	3,012
45	0	0	70	5	6,524
46	0	0	71	1	1,236
47	1	21,276	72	0	0
48	0	0	73	0	0
			74	2	2,175
			<b>Totals:</b>	<b>350</b>	<b>\$784,510</b>



**DISTRICT OF COLUMBIA RETIREMENT BOARD  
TEACHERS' RETIREMENT FUND**

**AGE-BENEFIT DISTRIBUTION**

**BENEFITS PAYABLE BY THE FEDERAL GOVERNMENT**

<b>Age</b>	<b>Count</b>	<b>Annual Benefits</b>	<b>Age</b>	<b>Count</b>	<b>Annual Benefits</b>
Under 24	48	\$102,456	69	199	5,908,596
25	0	0	70	196	5,520,124
26	1	1,020	71	149	4,047,084
27	0	0	72	158	4,515,984
28	0	0	73	183	5,181,276
29	2	5,340	74	137	\$3,764,037
30	1	1,368	75	135	3,728,352
31	2	42,156	76	129	3,451,692
32	1	35,076	77	149	4,292,496
33	0	0	78	127	3,584,436
34	1	1,368	79	123	3,681,276
35	1	33,624	80	110	3,177,840
36	0	0	81	83	2,436,060
37	1	30,000	82	117	3,423,264
38	4	56,784	83	91	2,644,164
39	2	55,560	84	94	2,852,928
40	2	21,120	85	81	2,268,732
41	1	4,536	86	70	2,204,784
42	1	13,224	87	72	2,232,576
43	6	59,148	88	67	2,121,744
44	5	33,576	89	56	1,760,568
45	0	0	90	43	1,436,316
46	1	14,880	91	48	1,508,508
47	5	83,520	92	53	1,900,320
48	5	66,192	93	34	1,207,980
49	11	95,110	94	25	928,680
50	10	143,659	95	26	889,080
51	18	314,571	96	17	594,228
52	25	393,622	97	14	447,864
53	50	1,096,578	98	7	287,136
54	32	643,887	99	5	182,028
55	51	1,099,304	100 & Over	17	540,972
56	91	2,414,463			
57	124	3,467,797			
58	118	3,481,474			
59	119	3,501,643			
60	113	3,484,672			
61	151	4,717,162			
62	156	4,900,257			
63	173	5,264,678			
64	184	5,790,730			
65	184	5,480,009			
66	197	6,312,180			
67	184	5,517,796			
68	202	5,638,746			
		<b>Totals:</b>	<b>5,098</b>		<b>\$147,140,411</b>



**DISTRICT OF COLUMBIA RETIREMENT BOARD  
POLICE OFFICERS' RETIREMENT FUND**

**AGE-BENEFIT DISTRIBUTION**

**BENEFITS PAYABLE IN TOTAL**

<b>Age</b>	<b>Count</b>	<b>Annual Benefits</b>	<b>Age</b>	<b>Count</b>	<b>Annual Benefits</b>
Under 24	131	\$289,356	69	94	\$3,248,409
25	0	0	70	78	2,712,682
26	1	3,372	71	89	3,259,581
27	2	7,944	72	117	4,274,106
28	2	3,756	73	84	3,114,584
29	1	16,944	74	79	2,763,474
30	4	47,364	75	76	2,678,513
31	3	41,004	76	75	2,430,178
32	5	78,216	77	61	1,967,245
33	6	104,268	78	60	1,828,997
34	3	47,232	79	44	1,443,477
35	5	90,192	80	56	1,706,563
36	4	48,060	81	63	2,022,950
37	11	152,592	82	49	1,634,259
38	7	116,808	83	52	1,412,629
39	11	195,984	84	51	1,783,589
40	13	187,560	85	54	1,670,933
41	13	198,911	86	29	746,882
42	19	371,871	87	33	1,107,769
43	25	590,950	88	33	958,171
44	38	1,061,172	89	23	676,270
45	48	1,344,066	90	23	588,079
46	76	2,165,828	91	18	607,768
47	107	3,161,478	92	10	217,747
48	161	4,765,492	93	13	364,592
49	172	5,165,024	94	7	222,603
50	196	6,315,982	95	7	174,400
51	214	6,694,829	96	4	97,791
52	303	9,599,569	97	5	106,779
53	364	12,219,527	98	1	15,276
54	224	7,288,641	99	2	32,580
55	227	7,575,194	100 & Over	4	92,243
56	205	6,700,909			
57	204	6,698,899			
58	167	5,721,196			
59	150	5,071,037			
60	173	5,891,799			
61	153	4,956,494			
62	155	5,183,571			
63	121	4,032,476			
64	139	4,634,563			
65	114	3,957,714			
66	92	3,075,414			
67	75	2,814,509			
68	76	2,633,512			
		<b>Totals:</b>	<b>5,614</b>		<b>\$177,282,398</b>





**DISTRICT OF COLUMBIA RETIREMENT BOARD  
POLICE OFFICERS' RETIREMENT FUND**

**AGE-BENEFIT DISTRIBUTION**

***BENEFITS PAYABLE BY THE DISTRICT OF COLUMBIA***

<b>Age</b>	<b>Count</b>	<b>Annual Benefits</b>	<b>Age</b>	<b>Count</b>	<b>Annual Benefits</b>
Under 24	0	\$0	44	15	\$50,078
25	0	0	45	13	31,215
26	0	0	46	18	16,487
27	0	0	47	22	4,110
28	0	0	48	20	4,215
29	1	16,692	49	20	1,644
30	0	0	50	17	2,400
31	0	0	51	16	5,101
32	2	47,340	52	23	246
33	3	53,016	53	12	1,535
34	1	21,528	54	8	680
35	3	33,072	55	6	231
36	1	21,588	56	2	3,101
37	2	36,168	57	7	409
38	1	18,048			
39	3	42,540			
40	0	0			
41	2	47,088			
42	3	0			
43	10	32,277			
		<b>Totals:</b>	<b>231</b>		<b>\$490,809</b>



**DISTRICT OF COLUMBIA RETIREMENT BOARD  
POLICE OFFICERS' RETIREMENT FUND**

**AGE-BENEFIT DISTRIBUTION**

***BENEFITS PAYABLE BY THE DISTRICT OF COLUMBIA***

<b>Age</b>	<b>Count</b>	<b>Annual Benefits</b>	<b>Age</b>	<b>Count</b>	<b>Annual Benefits</b>
Under 24	0	\$0	44	15	\$50,078
25	0	0	45	13	31,215
26	0	0	46	18	16,487
27	0	0	47	22	4,110
28	0	0	48	20	4,215
29	1	16,692	49	20	1,644
30	0	0	50	17	2,400
31	0	0	51	16	5,101
32	2	47,340	52	23	246
33	3	53,016	53	12	1,535
34	1	21,528	54	8	680
35	3	33,072	55	6	231
36	1	21,588	56	2	3,101
37	2	36,168	57	7	409
38	1	18,048			
39	3	42,540			
40	0	0			
41	2	47,088			
42	3	0			
43	10	32,277			
		<b>Totals:</b>	<b>231</b>		<b>\$490,809</b>



**DISTRICT OF COLUMBIA RETIREMENT BOARD  
POLICE OFFICERS' RETIREMENT FUND**

**AGE-BENEFIT DISTRIBUTION**

***BENEFITS PAYABLE BY THE FEDERAL GOVERNMENT***

<b>Age</b>	<b>Count</b>	<b>Annual Benefits</b>	<b>Age</b>	<b>Count</b>	<b>Annual Benefits</b>
Under 24	131	\$289,356	69	94	\$3,248,409
25	0	0	70	78	2,712,682
26	1	3,372	71	89	3,259,581
27	2	7,944	72	117	4,274,106
28	2	3,756	73	84	3,114,584
29	1	252	74	79	2,763,474
30	4	47,364	75	76	2,678,513
31	3	41,004	76	75	2,430,178
32	5	30,876	77	61	1,967,245
33	6	51,252	78	60	1,828,997
34	3	25,704	79	44	1,443,477
35	5	57,120	80	56	1,706,563
36	4	26,472	81	63	2,022,950
37	11	116,424	82	49	1,634,259
38	7	98,760	83	52	1,412,629
39	11	153,444	84	51	1,783,589
40	13	187,560	85	54	1,670,933
41	13	151,823	86	29	746,882
42	19	371,871	87	33	1,107,769
43	25	558,673	88	33	958,171
44	38	1,011,094	89	23	676,270
45	48	1,312,851	90	23	588,079
46	76	2,149,341	91	18	607,768
47	107	3,157,368	92	10	217,747
48	161	4,761,277	93	13	364,592
49	172	5,163,380	94	7	222,603
50	196	6,313,582	95	7	174,400
51	214	6,689,728	96	4	97,791
52	303	9,599,323	97	5	106,779
53	364	12,217,992	98	1	15,276
54	224	7,287,961	99	2	32,580
55	227	7,574,963	100 & Over	4	92,243
56	205	6,697,808			
57	204	6,698,490			
58	167	5,721,196			
59	150	5,071,037			
60	173	5,891,799			
61	153	4,956,494			
62	155	5,183,571			
63	121	4,032,476			
64	139	4,634,563			
65	114	3,957,714			
66	92	3,075,414			
67	75	2,814,509			
68	76	2,633,512			
<b>Totals</b>				<b>5,614</b>	<b>\$176,791,589</b>



**DISTRICT OF COLUMBIA RETIREMENT BOARD  
FIRE FIGHTERS' RETIREMENT FUND**

**AGE-BENEFIT DISTRIBUTION**

**BENEFITS PAYABLE IN TOTAL**

<b>Age</b>	<b>Count</b>	<b>Annual Benefits</b>	<b>Age</b>	<b>Count</b>	<b>Annual Benefits</b>
Under 24	40	\$86,148	69	44	1,557,500
25	0	0	70	54	2,019,267
26	0	0	71	42	1,784,834
27	0	0	72	45	1,791,737
28	0	0	73	46	1,824,905
29	0	0	74	32	1,303,562
30	1	24,492	75	44	1,611,403
31	0	0	76	26	990,063
32	0	0	77	32	1,212,978
33	0	0	78	38	\$1,370,832
34	0	0	79	35	1,162,641
35	2	36,060	80	36	1,220,346
36	1	20,304	81	39	1,504,159
37	1	15,084	82	33	1,222,651
38	2	21,304	83	34	1,144,318
39	1	12,696	84	25	832,906
40	4	50,688	85	21	816,810
41	3	50,232	86	13	429,461
42	4	60,674	87	24	738,049
43	4	102,852	88	10	304,985
44	4	92,328	89	12	335,085
45	13	399,516	90	11	447,728
46	21	609,988	91	12	371,957
47	22	630,094	92	9	244,826
48	18	538,620	93	10	198,060
49	20	664,939	94	3	85,968
50	27	1,010,424	95	3	83,268
51	26	923,827	96	2	65,777
52	37	1,319,904	97	1	20,100
53	62	2,161,564	98	0	0
54	67	2,549,466	99	2	43,152
55	65	2,537,389	100 & Over	2	38,005
56	58	2,340,967			
57	64	2,464,855			
58	90	3,323,058			
59	89	3,527,251			
60	89	3,736,807			
61	74	2,896,852			
62	62	2,248,401			
63	54	2,176,595			
64	66	2,430,023			
65	49	1,827,076			
66	52	2,047,634			
67	33	1,243,842			
68	35	1,352,836			
<b>Totals:</b>				<b>2,000</b>	<b>\$72,312,123</b>



**DISTRICT OF COLUMBIA RETIREMENT BOARD  
FIRE FIGHTERS' RETIREMENT FUND**

**AGE-BENEFIT DISTRIBUTION**

**BENEFITS PAYABLE BY THE DISTRICT OF COLUMBIA**

<b>Age</b>	<b>Count</b>	<b>Annual Benefits</b>	<b>Age</b>	<b>Count</b>	<b>Annual Benefits</b>
Under 24	0	\$0	44	3	72,100
25	0	0	45	2	6,773
26	0	0	46	8	133,782
27	0	0	47	6	65,123
28	0	0	48	4	\$17,731
29	0	0	49	6	77,546
30	1	24,492	50	7	86,888
31	0	0	51	3	46,823
32	0	0	52	2	0
33	0	0	53	3	81,836
34	0	0	54	4	36,099
35	0	0	55	3	2,829
36	0	0	56	6	98,398
37	0	0	57	2	36,720
38	0	0	58	1	4,398
39	0	0	59	1	5,337
40	0	0	60	3	91,344
41	0	0			
42	0	0			
43	2	73,164			
<b>Totals:</b>				<b>67</b>	<b>\$961,383</b>



**DISTRICT OF COLUMBIA RETIREMENT BOARD  
FIRE FIGHTERS' RETIREMENT FUND**

**AGE-BENEFIT DISTRIBUTION**

**BENEFITS PAYABLE BY THE FEDERAL GOVERNMENT**

<b>Age</b>	<b>Count</b>	<b>Annual Benefits</b>	<b>Age</b>	<b>Count</b>	<b>Annual Benefits</b>
Under 24	40	\$86,148	69	44	1,557,500
25	0	0	70	54	2,019,267
26	0	0	71	42	1,784,834
27	0	0	72	45	1,791,737
28	0	0	73	46	1,824,905
29	0	0	74	32	\$1,303,562
30	1	0	75	44	1,611,403
31	0	0	76	26	990,063
32	0	0	77	32	1,212,978
33	0	0	78	38	1,370,832
34	0	0	79	35	1,162,641
35	2	36,060	80	36	1,220,346
36	1	20,304	81	39	1,504,159
37	1	15,084	82	33	1,222,651
38	2	21,304	83	34	1,144,318
39	1	12,696	84	25	832,906
40	4	50,688	85	21	816,810
41	3	50,232	86	13	429,461
42	4	60,674	87	24	738,049
43	4	29,688	88	10	304,985
44	4	20,228	89	12	335,085
45	13	392,743	90	11	447,728
46	21	476,206	91	12	371,957
47	22	564,971	92	9	244,826
48	18	520,889	93	10	198,060
49	20	587,393	94	3	85,968
50	27	923,536	95	3	83,268
51	26	877,004	96	2	65,777
52	37	1,319,904	97	1	20,100
53	62	2,079,728	98	0	0
54	67	2,513,367	99	2	43,152
55	65	2,534,560	100 & Over	2	38,005
56	58	2,242,569			
57	64	2,428,135			
58	90	3,318,660			
59	89	3,521,914			
60	89	3,645,463			
61	74	2,896,852			
62	62	2,248,401			
63	54	2,176,595			
64	66	2,430,023			
65	49	1,827,076			
66	52	2,047,634			
67	33	1,243,842			
68	35	1,352,836			
					<b>2,000</b>
					<b>\$71,350,740</b>



## **Appendix B - Actuarial Assumptions and Procedures**

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<b>B. Actuarial Procedures</b>	
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## A. ACTUARIAL ASSUMPTIONS

1. *Annual Rate of Investment Return* 7.25%

2. *Annual Increase in Cost-of Living* 5.00%

### 3. *Rates of Salary Increases for Liabilities<sup>1</sup>*

(% at selected service)

<u>Service</u>	<u>Teachers</u>	<u>Police<sup>2</sup></u>	<u>Fire<sup>2</sup></u>
0	8.8	8.8	8.2
5	8.6	7.4	7.9
10	7.6	7.2	7.6
15	6.4	6.9	7.1
20	5.7	6.6	6.8
25	5.4	6.0	6.5
30	5.3	5.5	6.3

<sup>1</sup> The rates include an annual assumed general wage increase of 5.0%.

<sup>2</sup> Additional increases are reflected to account for the Base Retention Differential of 5% after 20 years of service for police officers and Retention incentives of 5%, 10%, and 15% after 15, 20, and 25 years of service, respectively, for fire fighters.





*For participants hired on or after November 10, 1996:*

*Eligibility* - Age 60 or 25 years of departmental service and no age requirement.

*Benefit* - 2.5% of average pay times departmental service subject to a maximum benefit of 80% of pay.

## **6. Disability Retirement**

### **Service-related**

*Eligibility* - disabled as a result of an illness or injury in the line of duty.

*Benefit for those hired before February 15, 1980* - 2.5% of average pay times total years of service, subject to a minimum benefit of 66-2/3% of average pay and subject to a maximum benefit of 70% of average pay.

*Benefit for those hired on or after February 15, 1980* - 70% of final pay times percentage of disability, subject to a minimum benefit of 40% of final pay.

### **Non-service-related**

*Eligibility* - 5 years of departmental service and a physical or mental disability that prevents the member from performing his/her job.

*Benefit for those hired before February 15, 1980* - 2% of average pay times total years of service, subject to a minimum benefit of 40% of average pay and subject to a maximum benefit of 70% of average pay.

*Benefit for those hired on or after February 15, 1980* - 70% of final pay times percentage of disability, subject to a minimum benefit of 30% of final pay.

## **7. Deferred Vested Retirement**

*Eligibility* - 5 years of departmental service.

*Benefit* - Normal Retirement benefit beginning at age 55.

## **8. Lump Sum Death Benefit**

*Eligibility* - death in the line of duty not resulting from willful misconduct, an intention to bring about his/her own death, or drunkenness.

*Benefit* - \$50,000. Additional amounts will be paid by the Federal government (outside of the retirement fund).



## **9. Installment Benefits Payable upon Death**

### **Spouse Only**

*Eligibility* - death and married for at least two years or have a child by the marriage.

*Benefit* - 40% of the greater of average pay and the salary for step 6 salary class 1 of the D.C. Police and Fireman's Salary Act in effect, adjusted for cost-of-living increases if death occurs after retirement.

### **Spouse and Dependent Children**

*Eligibility* - for the spouse, as described above; for the children, unmarried and under 18, 22 if full-time student, or any child dependent because of a disability incurred before age 18.

*Benefit* - spouse benefit as described above plus a benefit per child of the smallest of 60% of average pay divided by the number of children, \$1,548, and \$4,644 divided by the number of children; payable until the children are no longer eligible.

### **Dependent Children Only**

*Eligibility* - same as the children's benefit above.

*Benefit* - per child, 75% of average pay divided by the number of eligible children.

### **Refund of Contributions**

If no eligible dependent exists, all contributions will be refunded to a named beneficiary.

## **10. Cost-of-Living Adjustments**

Employees (not beneficiaries) who retired prior to February 15, 1980, receive the same percentage increase as active employees' salary increases.

All other retired participants receive an increase each March based on the annual change in the Consumer Price Index (All Urban Consumers) from December to December.



## *Appendix C - Summary of the Provisions of the Programs*

### *Table of Contents*

	<u>Page</u>
Teachers' Retirement Program	C-1
Police Officers and Fire Fighters' Retirement Program	C-5



#### **4. Withdrawal**

##### **Teachers**

Number of withdrawals per 1,000 members at selected ages:

<u>Age</u>	<u>Male</u>	<u>Female</u>
25	140	140
30	80	80
35	50	50
40	35	35
45	28	28
50	20	20
55	0	0

##### **Police**

Number of withdrawals per 1,000 members at selected ages:

<u>Age</u>	<u>Male</u>	<u>Female</u>
25	66	66
30	34	34
35	17	17
40	7	7
45	4	4
50	0	0
55	0	0

##### **Fire**

Number of withdrawals per 1,000 members at selected ages:

<u>Age</u>	<u>Male</u>	<u>Female</u>
25	30	30
30	10	10
35	8	8
40	6	6
45	5	5
50	0	0
55	0	0



## 5. Mortality

### Teachers

#### *Active Members:*

Male	1994 Uninsured Pension (UP94) Male Table set forward 1 year
Female	1994 Uninsured Pension (UP94) Female Table set forward 1 year

#### *Inactive Healthy Members:*

Male	1994 Uninsured Pension (UP94) Male Table
Female	1994 Uninsured Pension (UP94) Female Table

#### *Inactive Disabled Members:*

Number of deaths per 10,000 members at selected ages:

<u>Age</u>	<u>Male</u>	<u>Female</u>
25	300	300
30	300	300
35	300	300
40	300	300
45	300	300
50	307	300
55	315	300
60	324	300
65	332	300
70	475	300
75	658	343
80	901	518
85	1,121	728



## 5. Mortality (continued)

### Police Officers & Fire Fighters

#### *Active Members:*

Male	1994 Uninsured Pension (UP94) Male Table set forward 3 years
Female	1994 Uninsured Pension (UP94) Female Table set forward 3 years

#### *Inactive Healthy Members:*

Male	1994 Uninsured Pension (UP94) Male Table set forward 2 years
Female	1994 Uninsured Pension (UP94) Female Table set forward 2 years

#### *Inactive Disabled Members:*

Number of deaths per 10,000 members at selected ages:

<u>Age</u>	<u>Male</u>	<u>Female</u>
25	113	70
30	113	70
35	113	70
40	113	70
45	113	70
50	113	70
55	113	70
60	163	104
65	237	149
70	330	214
75	486	305
80	812	529
85	1,244	903



## 6. Disability

### Teachers

Number of disablements per 10,000 members at selected ages:

<u>Age</u>	<u>Male</u>	<u>Female</u>
25	4	4
30	7	7
35	12	12
40	16	16
45	26	26
50	40	40
55	69	69
60	71	71
65	0	0

### Police <sup>1</sup>

Number of disabilities occurring per 10,000 members at selected ages:

<u>Age</u>	<u>Male</u>	<u>Female</u>
25	26	26
30	34	34
35	51	51
40	75	75
45	118	118
50	195	195
55	341	341
60	500	500
65	500	500

---

<sup>1</sup> It is assumed that 50% of the disabilities are due to accidents in the line of duty.



## 6. Disability (continued)

### Fire <sup>1</sup>

Number of disabilities occurring per 10,000 members at selected ages:

<u>Age</u>	<u>Male</u>	<u>Female</u>
25	40	26
30	52	34
35	77	51
40	113	75
45	177	118
50	293	195
55	520	341
60	743	500
65	743	500

---

<sup>1</sup> It is assumed that 50% of the disabilities are due to accidents in the line of duty.





## 7. Retirement

### Teachers

Number of retirements per 1,000 members at selected ages:

Age	First Year Eligible	Subsequent Years Eligible
45	--	--
50	200	--
55	200	150
56	400	150
57	600	150
58	600	150
59	600	150
60	200	200
65 <sup>1</sup>	200	400
70	200	1,000

### Police Officers & Fire Fighters

Number of retirements per 1,000 members at selected ages:

Age	Police	Fire
45	150	60
50	230	130
55	400	350
56	500	350
57	500	350
58	500	350
59	500	350
60	1,000	1,000
65	1,000	1,000
70	1,000	1,000

---

<sup>1</sup> Between the ages of 65 and 70, teachers are assumed to retire at the rate of 200 per 1,000.



## **B. ACTUARIAL PROCEDURES**

### ***1. Asset Valuation Method***

For purposes of determining the fiscal year 2001 District payment, an actuarial value of assets is used. The actuarial value of assets is equal to the expected market value of assets at September 30, 1999 plus 1/3 of the difference between the expected market value and the actual market value at September 30, 1999.

### ***2. Funding Method***

The funding method required by DCRPA '97 is the aggregate funding method.



***Summary of Program Provisions:***  
***District of Columbia Retirement Program for Teachers***

---

**1. Membership**

Permanent, temporary, and probationary teachers for the District of Columbia public day schools become members automatically on their date of employment. Other employees covered by the Teachers' Salary Act--including librarians, principals, and counselors--also become members on their date of employment. Substitute teachers and employees of the Department of School Attendance and Work Permits are not covered.

**2. Required Member Contributions**

Members hired before November 16, 1996 contribute 7% of annual pay minus any pay received for summer school. Members hired on or after November 16, 1996 contribute 8% of annual pay minus pay received for summer school.

**3. Voluntary Member Contributions**

Members can contribute up to 10% of annual pay toward an annuity in addition to any vested pension.

**4. Service**

*School Service* - one year of school service is granted for each year of employment with the D.C. public day schools.

*Credited Service* - service granted in addition to school service.

**5. Voluntary Retirement**

*For participants hired before November 16, 1996:*

*Eligibility* - age 62 with 5 years of school service; age 60 with 20 years of total service, including 5 years of school service; age 55 with 30 years of total service, including 5 years of school service.

*Benefit* - 1.5% of 3-year average pay times service up to 5 years, plus 1.75% of average pay times service between 5 and 10 years, plus 2% of average pay times service over 10 years, with each period subject to a minimum benefit of 1.0% of average pay plus \$25.



*For participants hired on or after November 16, 1996:*

*Eligibility* - age 62 with 5 years of school service; age 60 with 20 years of total service, including 5 years of school service; or any age with 30 years of total service, including 5 years of school service.

*Benefit* - 2.0% of 3-year average pay times service up to 5 years subject to a minimum benefit of 1.0% of average pay plus \$25.

## **6. Involuntary Retirement**

*Eligibility* - retired involuntarily for reasons other than misconduct or delinquency with 25 years of total service, including 5 years of school service; or age 50 with 20 years of total service, including 5 years of school service.

*Benefit* - Voluntary Retirement benefit reduced 1/6% per month (2% per year) that date of retirement is before age 55.

## **7. Disability Retirement**

*Eligibility* - 5 years of school service and a physical or mental disability that prevents the member from performing his/her job.

*Benefit* - Voluntary Retirement benefit subject to a minimum of the lesser of 40% of average pay and the benefit that the member would receive projecting service to age 60.

## **8. Deferred Vested Retirement**

*Eligibility* - 5 years of school service.

*Benefit* - Voluntary Retirement benefit beginning at age 62.

## **9. Lump Sum Death Benefit**

*Eligibility* - death before completion of 18 months of school service or death without an eligible spouse, child, or parent.

*Benefit* - Refund of paid contributions.



## **10. Installment Benefits Payable upon Death**

### **Spouse Only**

*Eligibility* - death before retirement and married for at least two years or have a child by the marriage.

*Benefit* - 55% of the Voluntary Retirement benefit subject to the minimums specified in the Disability Retirement Benefit.

### **Spouse and Dependent Children**

*Eligibility* - for the spouse, as described above; for the children, unmarried and under 18, 22 if full-time student, or any child dependent because of a disability incurred before age 18. Death does not have to occur before retirement for the children's benefits.

*Benefit* - spouse benefit as described above plus a benefit per child of the smallest of 60% of average pay divided by the number of children, \$900, and \$2,700 divided by the number of children; payable until the children are no longer eligible.

### **Dependent Children Only**

*Eligibility* - same as the children's benefit above.

*Benefit* - per child, the smallest of 75% of average pay divided by the number of eligible children, \$1,080, and \$3,240 divided by the number of children payable until the children are no longer eligible.

### **Surviving Parents Only**

*Eligibility* - death before retirement and no eligible spouse or children, and parents receive at least one-half of their total income from member.

*Benefit* - spouse benefit as described above.

## **11. Cost-of-Living Adjustments**

All participants receive an increase each March based on the annual change in the Consumer Price Index (all items - U.S. City average) from December to December.



## **12. Form of Payment Options**

*Normal Form of Payment* - Single Life Annuity.

*Joint and 55% Survivor (to spouse)* - The original benefit is reduced by 2.5% of annual pension up to \$3,600, plus 10% of any amount over \$3,600.

*Variable Survivor* - A joint and 55% survivor annuity with the original benefit reduced 10% plus an additional 5% for each full 5 years, up to 25 years, the survivor is younger, with a total reduction of 40% for any survivor who is 25 or more years younger.

*Insurance Option* - benefits may be reduced and the balance used to purchase life insurance.

## **13. Benefit Changes Since Prior Valuation**

None.



***Summary of Program Provisions:  
Retirement Program for District of Columbia  
Police Officers and Fire Fighters***

---

**1. Membership**

All police officers and fire fighters of the District of Columbia members automatically on their date of employment. Police Cadets are not eligible.

**2. Required Member Contributions**

Members hired before November 10, 1996 contribute 7% of annual salary, including any differential for special assignment, but excluding overtime, longevity, holiday, or military pay. Members hired on or after November 10, 1996 contribute 8% of annual salary, including any differential for special assignment, but excluding overtime, longevity, holiday, or military pay.

**3. Average Pay**

For those hired before February 15, 1980, basic pay for the highest 12 months. For those hired on or after February 15, 1980, basic pay for the highest 36 months divided by three.

**4. Service**

*Departmental Service* - each full year and additional months of employment with either the Metropolitan Police Force or the D.C. Fire Department.

*Credited Service* - service granted in addition to departmental service for service with the military or federal government.

**5. Normal Retirement Benefit**

*For participants hired before November 10, 1996:*

*Eligibility* - Age 50 with 25 years of departmental service (20 years of service and no age requirement if hired before February 15, 1980).

*Benefit* - 2.5% of average pay times departmental service up to 25 years (20 years if hired before February 15, 1980) plus 3% of average pay times departmental service over 25 (or 20) years plus 2.5% of average pay time credited service, subject to a maximum benefit of 80% of pay.



## **11. Form of Payment Options**

*Normal Form of Payment* - Single Life Annuity.

*Additional Survivor Benefit* - The original benefit is reduced 10%. This 10% amount is reduced by 5% for each full 5 years the survivor is younger (but not more than 40%) and is added to the survivor's benefit.

## **12. Benefit Changes Since Prior Valuation**

None.





**Appendix D - GASB Disclosures**

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**DISTRICT OF COLUMBIA RETIREMENT BOARD**

**Required Supplementary Information  
Pursuant to GASB Statement #25**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (b / a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
--------------------------------	--	--	--------------------------------------	----------------------------	---------------------------	--

The District of Columbia Retirement Board uses the aggregate actuarial cost method and is therefore not required to disclose a schedule of funding progress.

**DISTRICT OF COLUMBIA RETIREMENT BOARD**

**Required Supplementary Information  
Pursuant to GASB Statement #25**

**Schedule of Employer Contributions**

**(\$ Millions)**

<u>Year Ended September 30</u>	<u>Teachers' Retirement Fund</u>		<u>Police Officers and Firefighters' Retirement Fund</u>		<u>Total Fund</u>	
	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1998	\$9.6	100%	\$47.7	100%	\$57.3	100%
1999	\$12.8	145% <sup>1</sup>	\$35.1	100%	\$47.9	112% <sup>1</sup>
2000	\$10.7	N/A	\$39.9	N/A	\$50.6	N/A

<sup>1</sup> District overpayments for Fiscal Year ending September 30, 1999 will be used to reduce District payments in future years per Section 1-784.2(c) of the D.C. Code.

# DISTRICT OF COLUMBIA RETIREMENT BOARD

## Required Supplementary Information Pursuant to GASB Statement #25

### Additional Information

	Teachers' <u>Retirement Fund</u>	Police Officers' and Firefighters <u>Retirement Fund</u>
Valuation Date:	October 1, 1997	October 1, 1997
Actuarial Cost Method:	Aggregate	Aggregate
Amortization Method:	N/A	N/A
Remaining Amortization Period:	N/A	N/A
Asset Valuation Method:	Market Value	Market Value
Actuarial Assumptions:		
Investment Rate of Return:	7.25%	7.25%
Projected Salary Increases:	5.3%-8.8%	5.5%-8.8%
includes inflation at:	5.0%	5.0%
Cost of Living Adjustments:	5.0% <sup>1</sup>	5.0% <sup>1</sup>

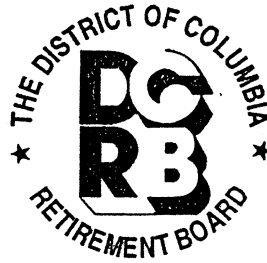
<sup>1</sup> Post-1996 hires have COLAs capped at 3.00%

Please refer to the actuarial valuation report for more details on the assumptions.

## **Exhibit I**

### **Board's Fiscal Year 2001 Certification**

1400 L. Street, NW, Suite 300  
Washington, D.C. 20005



Telephone (202) 535-1271  
Fascimile (202) 535-1414

December 29, 1999

The Honorable Anthony Williams  
Office of the Mayor  
441 Fourth Street, N.W., Suite 1100  
Washington, D.C. 20001

Dear Mayor Williams:

The Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Plan Act of 1998, (the "Replacement Plan Act") effective September 18, 1998 (D.C. Code § 1-781.1 et. seq.) requires the District of Columbia Retirement Board ("Board") to certify to the Mayor and the Council, not less than thirty (30) days prior to submission of the Mayor's annual budget for the District of Columbia government to the D.C. Council, the normal contribution rate ("District payment") for each separate fund: (i) the Teachers' Retirement Fund ("Teachers' Fund") and (ii) the Police Officers and Fire Fighters' Retirement Fund ("Police and Fire Fund"), (collectively the "Funds") comprising the Funds. D.C. Code § 1-784.3(b)(1). The Replacement Plan Act further requires that the Mayor and the Council include in the annual budget for the District of Columbia an amount not less than the amount certified by the Board. D.C. Code § 1-784.3(b)(2).

I am writing to inform you that the Board approved the enrolled actuary's certification of the District fiscal year 2001 payment to the Funds (copy enclosed) at its monthly meeting on December 16, 1999. This letter constitutes the Board's statutorily required certification of the District's payment to the Funds for fiscal year 2001.

The following matrix incorporates amounts certified by the Board for the District's Fiscal Year 2001 payment to each of the Funds:

Retirement Fund	Normal Contribution Amount (Millions)
Teachers' Retirement Fund	\$0.2
Police Officers and Fire Fighters' Retirement Fund	\$47.4
Total FY 2001 Contribution Amount	\$47.6

H:\BRUCE\DOCS\LEGAL\FY2001.CERTIFICATION.LTR.DRAFT3

## **Explanation of Certification**

As explained below, the amounts certified herein are based upon an initial allocation of the \$1.275 billion in October 1, 1997 assets<sup>1</sup> ("Replacement Plan assets") between the Funds that has not yet been approved by the Board. The method used to allocate the \$1.275 billion between the Teachers' Fund and the Police and Fire Fund affects the amount of the District contribution required for each Fund. When the final allocation method is determined, any required changes will be reflected in District payments certified by the Board in future fiscal years.

### *Legislative History*

Title XI of the Balanced Budget Act of 1997 (Pub. L. 105-33, 111 Stat. 251) as amended (hereinafter the "Budget Act"), required the transfer of a material amount of accumulated assets and liabilities of the Funds to the Federal government, along with all accumulated assets and liabilities from the Judges' Retirement Fund. The Budget Act also gave complete discretionary authority to the Secretary of the United States Department of the Treasury ("Secretary") to: (i) control the timing of the asset transfer and, (ii) designate assets with a value of \$1.275 billion to remain with the District Retirement Funds. The Budget Act further required the District of Columbia government to adopt a replacement plan (i.e., the "Replacement Plan Act") to provide retirement benefits for the current retirement plans for teachers, and police officers and firefighters that were in effect frozen by the Budget Act as of June 30, 1997. While relieving the District of unfunded pension liabilities and providing for establishment of fully funded, actuarially sound replacement plans, neither the Budget Act nor the Replacement Plan Act provide a methodology, nor any guidance for allocating the Replacement Plan assets designated by the Secretary in fiscal year 1999 (\$1.275 billion plus employee contributions withheld and earned interest) between the Teachers' Fund and the Police and Fire Fund.

### *Allocation Methodology*

One arguably discernable objective of the Replacement Plan Act is that future District contributions to the Funds be made in accordance with an actuarially sound funding method to prevent the District from incurring future unfunded liabilities. For compliance purposes, the Board's enrolled actuary chose to allocate the Replacement Plan assets between the Funds (in its "Valuation as of October 1, 1997 for Fiscal Year 1999") based upon the present value of future District benefits, to equally fund the two separate Funds. While the Board's actuary has confirmed that this allocation method is consistent with customarily established actuarial principles, there are several alternative actuarially sound methods available to allocate the

---

<sup>1</sup> October 1, 1997 assets (or "Replacement Plan assets") refers to assets designated by the Secretary of the U.S. Department of Treasury, pursuant to title XI of the Balanced Budget Act of 1997 (Pub. L. 105-33) as amended, to remain with the District Retirement Fund. D.C. Code § 1-764.3(b).

The Honorable Anthony Williams  
December 29, 1999  
Page 3

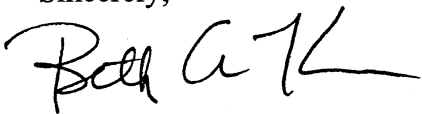
Replacement Plan assets, which appear both prudent and reasonable means of meeting the broad objectives of the Budget Act and the Replacement Plan Act. Depending upon the allocation method ultimately approved by the Board, the District's total contribution could be a different amount. In any event, the enrolled actuary (Milliman & Robertson, Inc.) has informed the Board that any changes that result from employment of a different methodology from that chosen by the actuary in 1997 (and used in successive years since) for allocating the Replacement Plan assets can and will be reflected in District payments to the Funds in future years.

It should be noted that approval of the allocation methodology for the Replacement Plan assets was not possible, and thus not a factor to be considered by the Board, until the Replacement Plan assets were designated for retention by the Funds. Designation of the Replacement Plan assets by the Secretary did not occur until April 30, 1999. Therefore, the Board's certification for the District's fiscal year 2001 payment to the Funds is the first opportunity for the Board to contemplate allocation options. Given the complexity of the allocation methodology options, and the resulting impact on the corpus of the separate Funds, the Board has undertaken this task at a prudently deliberate pace to insure that any final decision is fully informed.

As the Board considers the actuarially sound options in determining the appropriate asset allocation of the Replacement Plan assets, please be assured that the Board is exercising its responsibilities with the requisite standard of care, skill, prudence and diligence imposed on all fiduciaries to the Funds.

Should you have any questions, please do not hesitate to contact the Board's Executive Director, Jorge Morales at: (202) 535-1271.

Sincerely,



Betty Ann Kane  
Chairman of the Board

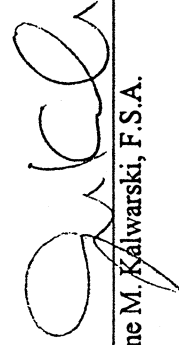
Enclosure

cc: Trustees, D.C. Retirement Board



**Required Actuarial Certifications**  
Under D.C. Law 12-152  
for Fiscal Year 2001  
(Dollars in Millions)

<u>Certification</u>	<u>Code Section</u>	<u>Teachers</u>	<u>Police</u>	<u>Fire</u>	<u>Police/Fire Combined</u>	<u>Total District</u>
FY 2001 Normal Contribution Rate	§1-784.3(a)(3)(A)	2.3% <sup>1</sup>	18.8% <sup>1</sup>	22.3% <sup>1</sup>	19.7% <sup>1</sup>	10.1% <sup>1</sup>
Estimated FY 2001 Covered Payroll	NA	\$291.4	\$175.1	\$63.2	\$238.3	\$529.7
FY 2001 District Payment before §1-784.2(c)	NA	\$6.6 <sup>1</sup>	\$32.9 <sup>1</sup>	\$14.1 <sup>1</sup>	\$47.0 <sup>1</sup>	\$53.6 <sup>1</sup>
FY 1999 Shortfall / Overpayment	§1-784.2(c)	(\$6.4)	\$0.7	(\$0.3)	\$0.4	(\$6.0)
FY 2001 District Payment	NA	\$0.2 <sup>1</sup>	\$33.6 <sup>1</sup>	\$13.8 <sup>1</sup>	\$47.4 <sup>1</sup>	\$47.6 <sup>1</sup>
Present Value of Future Benefits	§1-784.3(a)(3)(B)	\$802.5	\$1,333.6	\$533.7	\$1,867.3	\$2,669.8
Current Value of Assets	§1-784.3(a)(3)(C)	\$580.0 <sup>1</sup>	\$806.4 <sup>1</sup>	\$328.2 <sup>1</sup>	\$1,134.6 <sup>1</sup>	\$1,714.6
Actuarial Value of Assets	§1-784.3(a)(3)(D)	\$544.1 <sup>1</sup>	\$765.2 <sup>1</sup>	\$310.8 <sup>1</sup>	\$1,076.0 <sup>1</sup>	\$1,620.1

  
Gene M. Kalwarski, F.S.A.

12/20/99  
(Date)

<sup>1</sup> These amounts are based on an initial allocation of the \$1.275 billion in replacement plan assets between the Teachers' and the Police Officers' and Firefighters' Retirement Funds that has not yet been approved as final. When the final allocation method is determined, any changes will be reflected in District payments in future fiscal years.

## **Exhibit I**

### **Board's Fiscal Year 2001 Certification**

1400 L. Street, NW, Suite 300  
Washington, D.C. 20005



Telephone (202) 535-1271  
Facsimile (202) 535-1414

December 29, 1999

The Honorable Anthony Williams  
Office of the Mayor  
441 Fourth Street, N.W., Suite 1100  
Washington, D.C. 20001

Dear Mayor Williams:

The Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Plan Act of 1998, (the "Replacement Plan Act") effective September 18, 1998 (D.C. Code § 1-781.1 et. seq.) requires the District of Columbia Retirement Board ("Board") to certify to the Mayor and the Council, not less than thirty (30) days prior to submission of the Mayor's annual budget for the District of Columbia government to the D.C. Council, the normal contribution rate ("District payment") for each separate fund: (i) the Teachers' Retirement Fund ("Teachers' Fund") and (ii) the Police Officers and Fire Fighters' Retirement Fund ("Police and Fire Fund"), (collectively the "Funds") comprising the Funds. D.C. Code § 1-784.3(b)(1). The Replacement Plan Act further requires that the Mayor and the Council include in the annual budget for the District of Columbia an amount not less than the amount certified by the Board. D.C. Code § 1-784.3(b)(2).

I am writing to inform you that the Board approved the enrolled actuary's certification of the District fiscal year 2001 payment to the Funds (copy enclosed) at its monthly meeting on December 16, 1999. This letter constitutes the Board's statutorily required certification of the District's payment to the Funds for fiscal year 2001.

The following matrix incorporates amounts certified by the Board for the District's Fiscal Year 2001 payment to each of the Funds:

Retirement Fund	Normal Contribution Amount (Millions)
Teachers' Retirement Fund	\$0.2
Police Officers and Fire Fighters' Retirement Fund	\$47.4
Total FY 2001 Contribution Amount	\$47.6

H:\BRUCE\DOCS\LEGAL\FY2001.CERTIFICATION.LTR.DRAFT3

## **Explanation of Certification**

As explained below, the amounts certified herein are based upon an initial allocation of the \$1.275 billion in October 1, 1997 assets<sup>1</sup> ("Replacement Plan assets") between the Funds that has not yet been approved by the Board. The method used to allocate the \$1.275 billion between the Teachers' Fund and the Police and Fire Fund affects the amount of the District contribution required for each Fund. When the final allocation method is determined, any required changes will be reflected in District payments certified by the Board in future fiscal years.

## *Legislative History*

Title XI of the Balanced Budget Act of 1997 (Pub. L. 105-33, 111 Stat. 251) as amended (hereinafter the "Budget Act"), required the transfer of a material amount of accumulated assets and liabilities of the Funds to the Federal government, along with all accumulated assets and liabilities from the Judges' Retirement Fund. The Budget Act also gave complete discretionary authority to the Secretary of the United States Department of the Treasury ("Secretary") to: (i) control the timing of the asset transfer and, (ii) designate assets with a value of \$1.275 billion to remain with the District Retirement Funds. The Budget Act further required the District of Columbia government to adopt a replacement plan (i.e., the "Replacement Plan Act") to provide retirement benefits for the current retirement plans for teachers, and police officers and firefighters that were in effect frozen by the Budget Act as of June 30, 1997. While relieving the District of unfunded pension liabilities and providing for establishment of fully funded, actuarially sound replacement plans, neither the Budget Act nor the Replacement Plan Act provide a methodology, nor any guidance for allocating the Replacement Plan assets designated by the Secretary in fiscal year 1999 (\$1.275 billion plus employee contributions withheld and earned interest) between the Teachers' Fund and the Police and Fire Fund.

## *Allocation Methodology*

One arguably discernable objective of the Replacement Plan Act is that future District contributions to the Funds be made in accordance with an actuarially sound funding method to prevent the District from incurring future unfunded liabilities. For compliance purposes, the Board's enrolled actuary chose to allocate the Replacement Plan assets between the Funds (in its "Valuation as of October 1, 1997 for Fiscal Year 1999") based upon the present value of future District benefits, to equally fund the two separate Funds. While the Board's actuary has confirmed that this allocation method is consistent with customarily established actuarial principles, there are several alternative actuarially sound methods available to allocate the

---

<sup>1</sup> October 1, 1997 assets (or "Replacement Plan assets") refers to assets designated by the Secretary of the U.S. Department of Treasury, pursuant to title XI of the Balanced Budget Act of 1997 (Pub. L. 105-33) as amended, to remain with the District Retirement Fund. D.C. Code § 1-764.3(b).

The Honorable Anthony Williams  
December 29, 1999  
Page 3

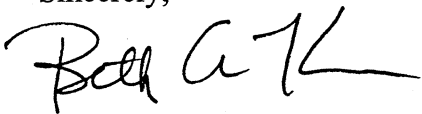
Replacement Plan assets, which appear both prudent and reasonable means of meeting the broad objectives of the Budget Act and the Replacement Plan Act. Depending upon the allocation method ultimately approved by the Board, the District's total contribution could be a different amount. In any event, the enrolled actuary (Milliman & Robertson, Inc.) has informed the Board that any changes that result from employment of a different methodology from that chosen by the actuary in 1997 (and used in successive years since) for allocating the Replacement Plan assets can and will be reflected in District payments to the Funds in future years.

It should be noted that approval of the allocation methodology for the Replacement Plan assets was not possible, and thus not a factor to be considered by the Board, until the Replacement Plan assets were designated for retention by the Funds. Designation of the Replacement Plan assets by the Secretary did not occur until April 30, 1999. Therefore, the Board's certification for the District's fiscal year 2001 payment to the Funds is the first opportunity for the Board to contemplate allocation options. Given the complexity of the allocation methodology options, and the resulting impact on the corpus of the separate Funds, the Board has undertaken this task at a prudently deliberate pace to insure that any final decision is fully informed.

As the Board considers the actuarially sound options in determining the appropriate asset allocation of the Replacement Plan assets, please be assured that the Board is exercising its responsibilities with the requisite standard of care, skill, prudence and diligence imposed on all fiduciaries to the Funds.

Should you have any questions, please do not hesitate to contact the Board's Executive Director, Jorge Morales at: (202) 535-1271.

Sincerely,



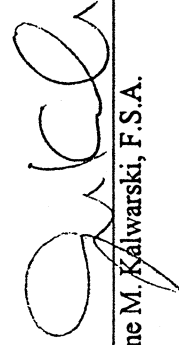
Betty Ann Kane  
Chairman of the Board

Enclosure

cc: Trustees, D.C. Retirement Board

**Required Actuarial Certifications**  
Under D.C. Law 12-152  
for Fiscal Year 2001  
(Dollars in Millions)

<u>Certification</u>	<u>Code Section</u>	<u>Teachers</u>	<u>Police</u>	<u>Fire</u>	<u>Police/Fire Combined</u>	<u>Total District</u>
FY 2001 Normal Contribution Rate	§1-784.3(a)(3)(A)	2.3% <sup>1</sup>	18.8% <sup>1</sup>	22.3% <sup>1</sup>	19.7% <sup>1</sup>	10.1% <sup>1</sup>
Estimated FY 2001 Covered Payroll	NA	\$291.4	\$175.1	\$63.2	\$238.3	\$529.7
FY 2001 District Payment before §1-784.2(c)	NA	\$6.6 <sup>1</sup>	\$32.9 <sup>1</sup>	\$14.1 <sup>1</sup>	\$47.0 <sup>1</sup>	\$53.6 <sup>1</sup>
FY 1999 Shortfall / Overpayment	§1-784.2(c)	(\$6.4)	\$0.7	(\$0.3)	\$0.4	(\$6.0)
FY 2001 District Payment	NA	\$0.2 <sup>1</sup>	\$33.6 <sup>1</sup>	\$13.8 <sup>1</sup>	\$47.4 <sup>1</sup>	\$47.6 <sup>1</sup>
Present Value of Future Benefits	§1-784.3(a)(3)(B)	\$802.5	\$1,333.6	\$533.7	\$1,867.3	\$2,669.8
Current Value of Assets	§1-784.3(a)(3)(C)	\$580.0 <sup>1</sup>	\$806.4 <sup>1</sup>	\$328.2 <sup>1</sup>	\$1,134.6 <sup>1</sup>	\$1,714.6
Actuarial Value of Assets	§1-784.3(a)(3)(D)	\$544.1 <sup>1</sup>	\$765.2 <sup>1</sup>	\$310.8 <sup>1</sup>	\$1,076.0 <sup>1</sup>	\$1,620.1

  
Gene M. Kalwarski, F.S.A.

12/20/99  
(Date)

<sup>1</sup> These amounts are based on an initial allocation of the \$1.275 billion in replacement plan assets between the Teachers' and the Police Officers' and Firefighters' Retirement Funds that has not yet been approved as final. When the final allocation method is determined, any changes will be reflected in District payments in future fiscal years.

## **Exhibit J**

### **Board's Fiscal Year 2001 Administrative Expenses**

**DISTRICT OF COLUMBIA RETIREMENT BOARD**  
**STATEMENT OF FISCAL YEAR 2001 EXPENDITURES**  
**COMPARED TO FISCAL YEAR 2001 BUDGET**  
**Year Ended September 30, 2001**

	<u>Total</u> <u>Expenditures</u>	<u>Budget</u>	<u>Total</u> <u>Expended</u> <u>Under (Over)</u> <u>Budget</u>	<u>Percent of</u> <u>Budget</u> <u>Expended</u>
<b>Personal Services:</b>				
Board Members	\$ 56,371	65,000	8,629	87%
Staff Salaries	816,816	851,350	34,534	96%
Compensation System Change	-	50,000	50,000	0%
Other Pay (Overtime & Bonus)	63	70,000	69,937	0%
Fringe Benefits	107,568	145,702	38,134	74%
Total Personal Services	980,818	1,182,052	201,234	83%
<b>Administrative Advisors:</b>				
Legal Counsel	45,693	100,000	54,307	46%
Auditor	45,825	75,000	29,175	61%
Actuary	30,375	100,000	69,625	30%
EDP Consultant	-	60,000	60,000	0%
Investment Consultant, Traditional	288,000	300,000	12,000	96%
Investment Consultant, Non-Traditional	100,000	180,000	80,000	56%
Master Custodian Search	49,851	-	(49,851)	N/A
Other	3,845	-	(3,845)	N/A
Total Advisors Fees	563,589	815,000	251,411	69%
<b>Liability Insurance:</b>				
Premium	1,547	6,000	4,453	26%
Total Liability Insurance:	1,547	6,000	4,453	26%
<b>Administrative &amp; Office Expenses:</b>				
Office Space & Communications	212,479	295,000	82,521	72%
Membership Dues	8,594	13,080	4,486	66%
Staff Recruiting	332	2,000	1,668	17%
Supplies & Reference Materials	73,585	134,306	60,721	55%
Printing	17,065	30,550	13,485	56%
Temporary Staff	-	22,000	22,000	0%
Travel & Training - Board Members	30,432	65,000	34,568	47%
Travel & Training - Staff	19,889	50,854	30,965	39%
Furniture & Equipment	27,339	117,100	89,761	23%
Postage & Delivery	13,156	22,800	9,644	58%
Metro Checks	4,840	8,000	3,160	61%
Board Member Elections	29,186	50,000	20,814	58%
Total Administrative & Office Expenses	436,897	810,690	373,793	54%
<b>SUB-TOTAL</b>	1,982,851	2,813,742	830,892	70%
<b>Asset Management Fees:</b>				
Investment Advisors, Traditional	4,354,364	8,015,000	3,660,636	54%
Advisors Watch List Penalty	(78,471)	-	78,471	N/A
Advisors Search Fee Recovery	(15,000)	(15,000)	-	100%
Investment Custodian	503,908	600,000	96,092	84%
Total Asset Mgmt. Fees	4,764,801	8,600,000	3,835,199	55%
<b>Grand Total</b>	\$ 6,747,651	11,413,742	4,666,091	59%



## **Exhibit K**

### **Retirement Programs Coverage**

**D.C. RETIREMENT BOARD**

**COVERAGE OF RETIREMENT PROGRAMS  
As Of October 1, 2001**

	<b>Active</b>		<b>Retired</b>	
	<b>Hired Before 11/16/1996</b>	<b>Hired After 11/15/1996</b>	<b>Federal Responsibility</b>	<b>Joint Federal &amp; District Responsibility</b>
<b><u>Teachers Retirement Program</u></b>				
Active employees covered	4,009	2,694		
Retired participants receiving benefits			3,958	829
Survivors receiving benefits			427	0
<b><u>Police &amp; Fire Retirement Program</u></b>				
Active employees covered	3,828	1,092		
Retired participants receiving benefits			5,426	585
Survivors receiving benefits			1,671	0
<b>Total by Type</b>	<b>7,837</b>	<b>3,786</b>	<b>11,482</b>	<b>1,414</b>
<b>Grand Total Active, Retired, &amp; Survivor</b>	<b>11,623</b>		<b>12,896</b>	

Source: Valuation as of October 1, 2001 for Fiscal Year 2003

## **Exhibit L**

### **List of Board's Service Providers and Fiduciaries**

### **Schedule of Transactions With Persons Known To Be Parties-In-Interest**

FISCAL YEAR 2001 SCHEDULE OF FIDUCIARIES AND SERVICE PROVIDERS'						
TRANSACTIONS WITH PERSONS KNOWN TO BE PARTIES-IN-INTEREST						
VENDOR'S NAME	DESCRIPTION OF SERVICES	TOTAL PAYMENT	RELATIONSHIPS WITH PARTIES-IN-INTEREST	NON-EXEMPT PROHIBITED TRANSACTIONS	RELATIONSHIP WITH D.C. GOVERNMENT	PERSONAL INTERESTS IN FUND TRANSACTIONS
Alliance Index Fund	Investment Advisr	223,251	NONE	NONE	NONE	N/A
Bank Of Ireland	Investment Adviser	999,652	NONE	NONE	NONE	N/A
Edgar Lomax Company	Investment Adviser	183,018	YES	NONE	NONE	N/A
Western Asset Mgmt.	Investment Adviser	440,678	NONE	NONE	NONE	N/A
Warburg Pincus Asset Mgmt. Inc.	Investment Adviser	526,139	NONE	NONE	NONE	N/A
Ariel Capital Management	Investment Adviser	529,026	NONE	NONE	NONE	N/A
Hughes Capital Management	Investment Adviser	172,592	NONE	NONE	NONE	N/A
PIMCO	Investment Adviser	786,323	NONE	NONE	NONE	N/A
Capital Guardian Trust Company	Investment Adviser	407,215	N/A	N/A	N/A	N/A
State Street Global Advisors	Master Custodian	503,908	NONE	NONE	NONE	N/A
American Arbitration Association	Trustee Elections	29,186	NONE	NONE	NONE	N/A
Audio Visual Innovations	Service Provider	13,818	NONE	NONE	NONE	N/A
Balmar Printing	Service Provider	7,800	NONE	NONE	NONE	N/A
BARRA ROGERCASEY	Investment Consultant	225,000	NONE	NONE	NONE	N/A
Chatman Partners	Custody Consulting Services	49,851	N/A	N/A	N/A	N/A
Courtland Partners	Investment Consultant	42,999	NONE	NONE	NONE	N/A
GROOM Law Group	Outside Legal Counsel	45,692	NONE	NONE	NONE	N/A
Hamilton Lane Advisers	Investment Consulting	100,000	NONE	NONE	NONE	N/A
KPMG LLP	Auditing Services	44,820	NONE	NONE	NONE	N/A
Mack-Cali Realty, L.P.	Office Rent	200,639	NONE	NONE	NONE	N/A
Milliman USA	Actuarial Services	40,525	NONE	NONE	NONE	N/A
Plexus Group	Investment Consultant	20,000	NONE	NONE	NONE	N/A
Barbara Davis Blum	Trustee Compensation	4,796	NONE	NONE	NONE	N/A
Betty Ann Kane	Trustee Compensation	7,941	NONE	NONE	NONE	N/A
Shireen Dodson	Trustee Compensation	356	NONE	NONE	NONE	N/A
Lenda Washington	Trustee Compensation	5,000	NONE	NONE	NONE	N/A
Mary Collins	Trustee Compensation	5,256	NONE	NONE	DC Public Schools Employee	N/A
Judith Marcus	Trustee Compensation	4,998	NONE	NONE	Retired DC Public Schools	N/A
George Sufer	Trustee Compensation	4,986.00	NONE	NONE	Retired DC MPD	N/A
Darrick Ross	Trustee Compensation	4,888	NONE	NONE	DC MPD	N/A
Michael McNally	Trustee Compensation	3,975	NONE	NONE	Retired DC Firefighter	N/A
Brian Lee	Trustee Compensation	4,918.81	NONE	NONE	DC Firefighter	N/A
William Simons	Trustee Compensation	225	NONE	NONE	NONE	N/A
Thomas B. Murray	Trustee Compensation	4,616	YES	NONE	Trustee Resigned	N/A

## **Exhibit M**

### **Schedule of Trustee Activities Sponsored by Service Providers**

**SCHEDULE OF TRUSTEE ACTIVITIES  
SPONSORED BY SERVICE PROVIDERS  
(Required by D.C. Law 8-97, As Submitted by Trustees)**

**Barbara Davis Blum**

Date	Service Provider	Activity	Purpose of Activity
2/27/2001	Howard Stone	Dinner	Introduction/discussion of company

**Mary Collins**

Date	Service Provider	Activity	Purpose of Activity
10/11/2000	Templeton	Meeting	Discussion on market trends
12/30/2000	Barclay Global	Due Diligence	Review organizational structure
4/26/2001	Utendahl Capital Mgmt.	Dinner	Discuss the DCRB's role in the NASP Conf.
5/2-5/2001	Fiduciary Investment Solutions	Conference	1 <sup>st</sup> Annual Trustee's Educational Forum
6/6/2001	Barclay Global	Meeting	Discussion of investment vehicles
6/21/2001	Barclay Global	Dinner	Discuss new investment strategies

**Betty Ann Kane**

Date	Service Provider	Activity	Purpose of Activity
10/17/2000	Capital Guardian	Seminar	Educational workshop
12/5/2000	Alcheny	Meeting	Discuss european private equity
12/10/2000	Capital Guardian	Dinner	Meeting with principal partners
12/11/2000	Bank of Ireland	Dinner	Meeting with principal partners
12/13/2000	Loomis Sayles	Lunch	Meeting with principal partners
1/29/2001	Mellon Bank	Dinner	Discuss securities lending
3/26-30/2001	JD Murphy	Conference	Participated in educational forum
6/10-12/2001	European Institute	Conference	Participated in educational forum

**Brian Lee**

Date	Service Provider	Activity	Purpose of Activity
4/26/2001	Utendahl Capital Mgmt.	Dinner	Discuss DCRB's role in the NASP Conf.
5/2-5/2001	Fiduciary Investment Solutions	Conference	1 <sup>st</sup> Annual Trustee's Educational Forum

**Judith Marcus**

Date	Service Provider	Activity	Purpose of Activity
12/9/2000	Chase H&Q	Dinner	Discuss future pension issues
12/11/2000	Bank of Ireland	Dinner	Discuss future international investing
6/13/2001	Barclay & other vendors	Dinner	Discuss inflation linked bonds & "strips"

**Thomas Murray**

Date	Service Provider	Activity	Purpose of Activity
2/201/2001	Strategic Investment Group	Dinner	Presentation Panel discussion
3/21/2001	Rob Stein	Breakfast	Introduction
3/26/2001	Investor Force	Dinner	Conference related
4/03/2001	Challdon	Dinner	Introduction
4/26/2001	Utendahl Capital Mgmt.	Dinner	Discuss DCRB's role in the NASP Conf.
6/7/2001	Edgar Lomax	Dinner	Discuss new investment strategies
6/14/2001	Blackstone Capital Partners	Lunch	Annual Partnership Luncheon
7/7/2001	Adams Venture	Dinner	Discuss new investment strategies
7/8-11/2001	Opal Financial Group	Conference	Private equity summit
7/10/2001	CMI, LLC	Lunch	Discuss market trends
7/16-18/2001	Institutional Investor	Conference	Public Funds Symposium

**George Suter**

Date	Service Provider	Activity	Purpose of Activity
3/15/2001	Bank of Ireland	Luncheon	Annual luncheon

**Lenda Washington**

Date	Service Provider	Activity	Purpose of Activity
5/2-4/01	Fiduciary Investment Solutions	Conference	1 <sup>st</sup> Annual Trustee's Educational Forum

## **Exhibit N**

### **Summary of Lease Default**



**COURTLAND PARTNERS, LTD.**  
INSTITUTIONAL REAL ESTATE SERVICES

---

50 PUBLIC SQUARE  
SUITE 624  
CLEVELAND, OHIO 44113-2204

TELEPHONE: (216) 522-0330  
FAX: (216) 522-0331  
[www.courtland.com](http://www.courtland.com)

February 28, 2002

**VIA FAX**

Ms. Sheila Morgan-Johnson  
*Chief Investment Officer*  
The District of Columbia Retirement Board  
1400 L Street, NW, Suite 300  
Washington, D.C. 20005

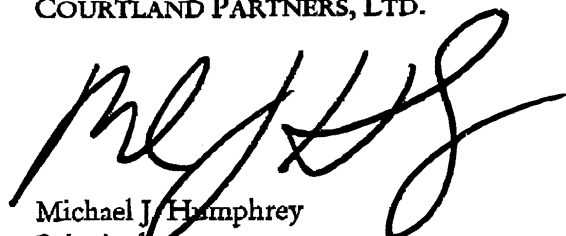
**RE: REVIEW OF TENANT DEFAULTS AT THE DISTRICT OF COLUMBIA  
RETIREMENT BOARD'S (THE "FUND") REAL ESTATE DIRECT INVESTMENTS**

Dear Sheila:

As you requested, I am providing this letter to update the Fund with respect to tenant defaults/delinquencies at your direct investments. Hunt River, a 148,164 s.f. shopping center anchored by a Stop & Shop grocery store and a Marshalls located in Providence, Rhode Island was the last of your LaSalle Separate Account direct investments. As you know, the asset sale closed at the end of October last year. The Fund has no other assets and therefore no other tenant defaults to report

Please call me if you have further questions or any comments.

Sincerely yours,  
COURTLAND PARTNERS, LTD.

  
Michael J. Humphrey  
Principal

MJH/mc

**COURTLAND PARTNERS, LTD.**  
**INSTITUTIONAL REAL ESTATE CONSULTANTS**  
624 Terminal Tower, Cleveland Ohio 44113

**Facsimile Cover Sheet**

**TO:** Ms. Florence Jones  
The District of Columbia Retirement Board

**FACSIMILE:** 202.535.1414

**NO. OF PAGES:** 2 (including cover sheet)

**DATE:** September 14, 2001

**FROM:** Michael J. Humphrey  
Courtland Partners, Ltd.  
Telephone (216) 522-0330  
Facsimile (216) 522-0331

**RE:** Enclosed is the letter requested.

**Notice of Confidentiality**

The materials which comprise this facsimile are strictly confidential and are intended for the recipient only. Any use or review of this transmission by any party other than the recipient is prohibited. If this transmission has been misdirected, or otherwise cannot be delivered or forwarded to the recipient, please contact Courtland Partners, Ltd. immediately at (216) 522-0330.

**Please call (216) 522-0330 regarding transmission errors.**

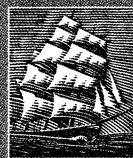
## **Exhibit O**

### **Custodian Bank's Balance Sheet**

# State Street

State Street Corporation

December 31, 2001



**STATE STREET.**  
*For Everything You Invest In™*

# Consolidated Financial Statements

## Consolidated Statement of Income

(Dollars in millions, except per share data)

Years ended December 31,

	2001	2000	1999
<b>Fee Revenue:</b>			
Servicing fees	\$ 1,624	\$ 1,425	\$ 1,170
Management fees	511	581	600
Foreign exchange trading	368	387	306
Processing fees and other — Notes C and N	279	272	179
Total Fee Revenue	2,782	2,665	2,255
<b>Net Interest Revenue:</b>			
Interest revenue	2,855	3,256	2,437
Interest expense	1,830	2,362	1,656
Net interest revenue — Note M	1,025	894	781
Provision for loan losses — Note D	10	9	14
Net interest revenue after provision for loan losses	1,015	885	767
Gain on sale of commercial banking business, net of exit and other associated costs			282
Total Revenue	3,797	3,550	3,304
<b>Operating Expenses:</b>			
Salaries and employee benefits — Note O	1,663	1,524	1,313
Information systems and communications	365	305	287
Transaction processing services	247	268	237
Occupancy	229	201	188
Other — Note P	363	346	311
Total operating expenses	2,867	2,644	2,336
Income before income taxes	930	906	968
Income taxes — Note Q	302	311	349
Net Income	\$ 628	\$ 595	\$ 619
<b>Earnings Per Share — Note R</b>			
Basic	\$ 1.94	\$ 1.85	\$ 1.93
Diluted	1.90	1.81	1.89
<b>Average Shares Outstanding (in thousands)</b>			
Basic	325,030	321,678	321,320
Diluted	330,492	328,088	327,503

The accompanying notes are an integral part of these financial statements.

# Consolidated Statement of Condition

(Dollars in millions) As of December 31,

	2001	2000
<b>Assets</b>		
Cash and due from banks — Note K	\$ 1,651	\$ 1,618
Interest-bearing deposits with banks	20,317	21,295
Securities purchased under resale agreements and securities borrowed — Note F	16,680	21,134
Federal funds sold		650
Trading account assets	994	1,004
Investment securities (including securities pledged of \$9,006 and \$7,152) — Notes C and F	20,781	13,740
Loans (less allowance of \$58 and \$57) — Note D	5,283	5,216
Premises and equipment — Note E	829	726
Accrued income receivable	880	845
Other assets	2,481	3,070
<b>Total Assets</b>	<b>\$69,896</b>	<b>\$69,298</b>
<b>Liabilities</b>		
Deposits:		
Interest-bearing — U.S.	\$ 2,753	\$ 2,241
Noninterest-bearing	9,390	10,009
Interest-bearing — Non-U.S.	26,416	25,687
<b>Total deposits</b>	<b>38,559</b>	<b>37,937</b>
Securities sold under repurchase agreements — Note F	19,006	21,351
Federal funds purchased	3,315	955
Other short-term borrowings — Note G	1,012	632
Accrued taxes and other expenses — Notes P and Q	1,582	1,431
Other liabilities	1,360	2,511
Long-term debt — Note H	1,217	1,219
<b>Total Liabilities</b>	<b>66,051</b>	<b>66,036</b>
<b>Stockholders' Equity — Notes H, I, J, K and R</b>		
Preferred stock, no par: authorized 3,500,000; issued none		
Common stock, \$1 par: authorized 500,000,000; issued 329,999,000 and 167,219,000	330	167
Surplus	110	69
Retained earnings	3,612	3,278
Other unrealized comprehensive income (loss)	70	(1)
Treasury stock, at cost (6,329,000 and 5,508,000 shares)	(277)	(251)
<b>Total Stockholders' Equity</b>	<b>3,845</b>	<b>3,262</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$69,896</b>	<b>\$69,298</b>

The accompanying notes are an integral part of these financial statements.

## Consolidated Statement of Changes in Stockholders' Equity

(Dollars in millions, except per share data, shares in thousands)	Common Stock		Retained Earnings	Other Unrealized Comprehensive Income (Loss)	Treasury Stock		Total
	Shares	Amount			Shares	Amount	
<b>Balance at December 31, 1998</b>	167,225	\$ 167	\$ 63	\$ 2,272		\$ 22	6,560 \$ (213) \$ 2,311
Comprehensive Income:							
Net income			619				619
Change in net unrealized gains/losses on available-for-sale securities, net of related taxes of \$(48)				(70)			(70)
Foreign currency translation, net of related taxes of \$(6)				(9)			(9)
Total comprehensive income			619	(79)			540
Cash dividends declared — \$.30 per share			(96)				(96)
Common Stock issued pursuant to:							
Stock awards and options exercised, including tax benefit of \$22			(7)		(1,303)	67	60
Debt conversion			(1)		(47)	1	
Common Stock acquired					2,425	(163)	(163)
<b>Balance at December 31, 1999</b>	167,225	167	55	2,795		(57)	7,635 (308) 2,652
Comprehensive Income:							
Net income			595				595
Change in net unrealized gains/losses on available-for-sale securities, net of related taxes of \$48				66			66
Foreign currency translation, net of related taxes of \$(4)				(10)			(10)
Total comprehensive income			595	56			651
Cash dividends declared — \$.345 per share			(112)				(112)
Common Stock issued pursuant to:							
Stock awards and options exercised, including tax benefit of \$61	(6)		29		(2,547)	125	154
Debt conversion			(15)		(400)	16	1
Common Stock acquired					820	(84)	(84)
<b>Balance at December 31, 2000</b>	167,219	167	69	3,278		(1)	5,508 (251) 3,262
Comprehensive Income:							
Net income			628				628
Change in net unrealized gains/losses on available-for-sale securities, net of related taxes of \$55				77			77
Foreign currency translation, net of related taxes of \$(4)				(7)			(7)
Other				1			1
Total comprehensive income			628	71			699
Cash dividends declared — \$.405 per share			(131)				(131)
2-for-1 stock split in the form of a 100% stock dividend	162,785	163		(163)		139	
Common Stock issued pursuant to:							
Acquisitions			43		(2,490)	139	182
Stock awards and options exercised, including tax benefit of \$20	(5)		6		(1,802)	78	84
Debt conversion			(8)		(286)	9	1
Common Stock acquired					5,260	(252)	(252)
<b>Balance at December 31, 2001</b>	329,999	\$330	\$110	\$3,612		\$ 70	6,329 \$(277) \$3,845

The accompanying notes are an integral part of these financial statements.

# Consolidated Statement of Cash Flows

(Dollars in millions) Years ended December 31,

	2001	2000	1999
<b>Operating Activities</b>			
Net income	\$ 628	\$ 595	\$ 619
Non-cash charges for depreciation, amortization, provision for loan losses and deferred income taxes	398	383	341
Gain on sale of commercial banking businesses			(282)
Securities (gains) losses, net	(43)	(2)	45
Change in trading account assets, net	(52)	(218)	(451)
Other, net	(462)	(118)	(77)
Net Cash Provided by Operating Activities	469	640	195
<b>Investing Activities</b>			
Payments for purchases of:			
Available-for-sale securities	(19,160)	(5,688)	(16,175)
Held-to-maturity securities	(4,246)	(987)	(880)
Lease financing assets	(850)	(989)	(610)
Premises and equipment	(276)	(247)	(199)
Business acquisitions, net of cash acquired	(176)		
Proceeds from:			
Maturities of available-for-sale securities	7,758	5,351	5,082
Maturities of held-to-maturity securities	4,126	933	790
Sales of available-for-sale securities	4,758	1,464	6,066
Principal collected from lease financing	10	37	87
Sale of commercial banking businesses, net			1,659
Net proceeds from (payments for):			
Interest-bearing deposits with banks	978	(4,393)	(4,817)
Federal funds sold, resale agreements and securities borrowed	5,104	(3,856)	(3,949)
Loans	221	(724)	(217)
Net Cash Used by Investing Activities	(1,753)	(9,099)	(13,163)
<b>Financing Activities</b>			
Proceeds from issuance of:			
Non-recourse debt for lease financing	670	821	483
Long-term debt		300	
Treasury stock	64	89	38
Payments for:			
Non-recourse debt for lease financing	(53)	(45)	(104)
Long-term debt	(2)	(1)	(1)
Cash dividends	(127)	(106)	(93)
Purchase of common stock	(252)	(84)	(163)
Net proceeds from:			
Deposits	622	3,792	7,724
Short-term borrowings	395	2,381	6,649
Net Cash Provided by Financing Activities	1,317	7,147	14,533
Net Increase (Decrease)	33	(1,312)	1,565
Cash and due from banks at beginning of year	1,618	2,930	1,365
Cash and Due from Banks at End of Year	\$ 1,651	\$ 1,618	\$ 2,930

The accompanying notes are an integral part of these financial statements.